Analysis update on London's recovery

Presentation to the London Recovery Board

February 2022

CITY INTELLIGENCE

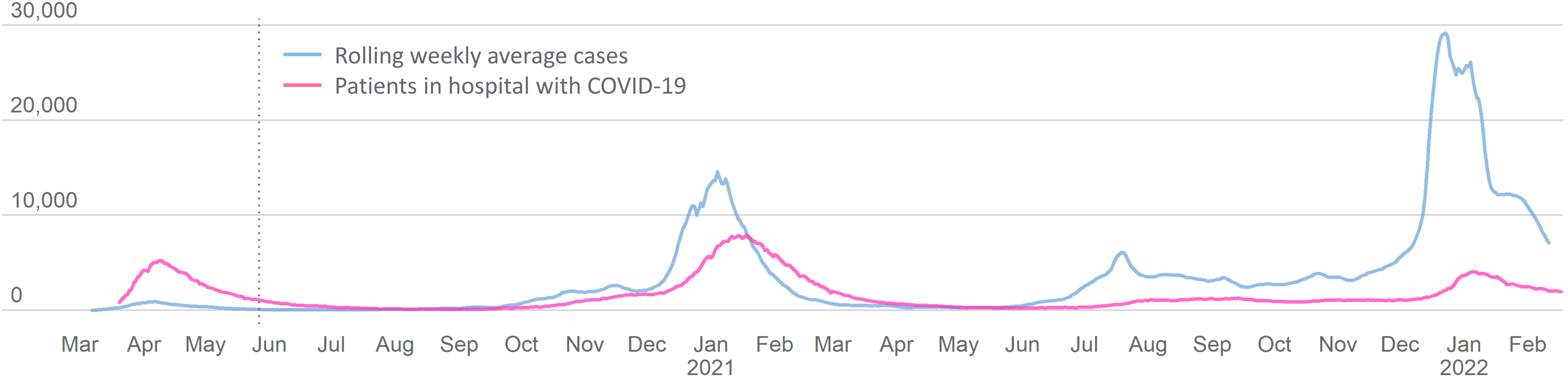
Pandemic situation

- Driven by the highly transmissible Omicron variant, Covid-19 infections in London rose dramatically throughout December, peaking around New Year at 30 thousand new cases per day – double the rate recorded during the peak of the wave a year earlier
- Despite the very high volume of cases, hospital admissions were far below the levels seen in the previous waves of the pandemic
- Mortality was also lower than in previous waves, with peak weekly deaths in London of around 220 in mid-January. This compares with peaks of approx. 1,500 in Jan 2021 and 2,000 in April 2020
- In most age groups, cases fell sharply in the first half of January. Cases among children continued to rise until late in the month. Rates are now falling in all age groups
- Over 6.4 million Londoners aged 12+ have had a first vaccine (85%) and over 5.9 million have had 2 doses (78%) while 4.1 million (55%) have had a 3rd dose or a booster
- Polling from 16-18 February showed the proportion of Londoners social distancing. Wearing face coverings continues to decline after a spike in December, though face covering usage remains high on TfL services

Omicron caused a large spike in cases, but far fewer hospitalisations and deaths than earlier waves

- In the most recent week of complete data (06–12 February 2022) **47,738** new cases were identified in London
- On 17 February 2022 there were **1,972** COVID-19 patients in London hospitals, of which **103** were in mechanical ventilation beds

London: Patients in Hospital with COVID-19 and Rolling 7-day Average Cases



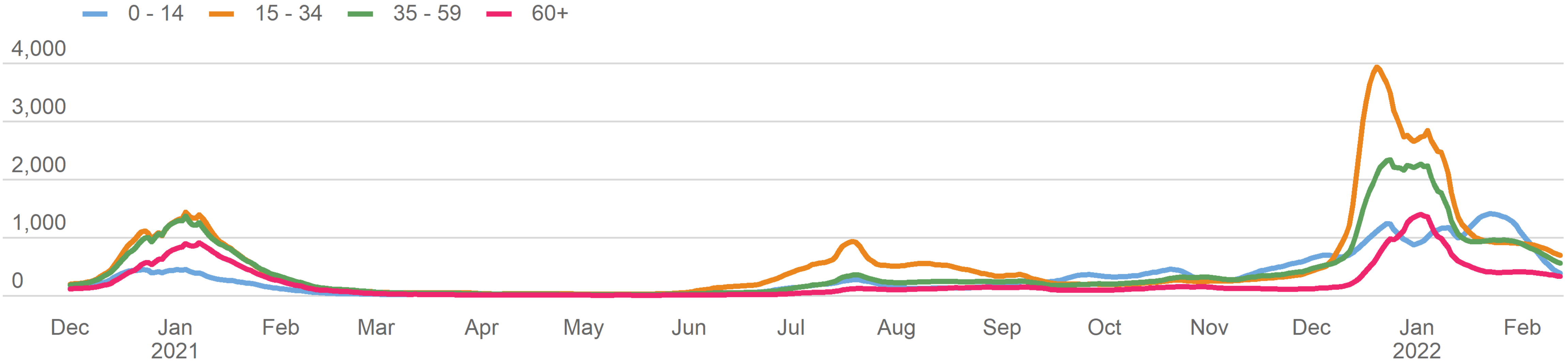
Source: UK Coronavirus Dashboard
Graphic by GLA City Intelligence

Case rates are falling across all age groups

- Adult cases peaked over the holidays, fell sharply in the new year
- Child case rates continued to rise through January

Rolling weekly cases per 100,000 population by age group in London

Most recent complete data for week ending 12 February



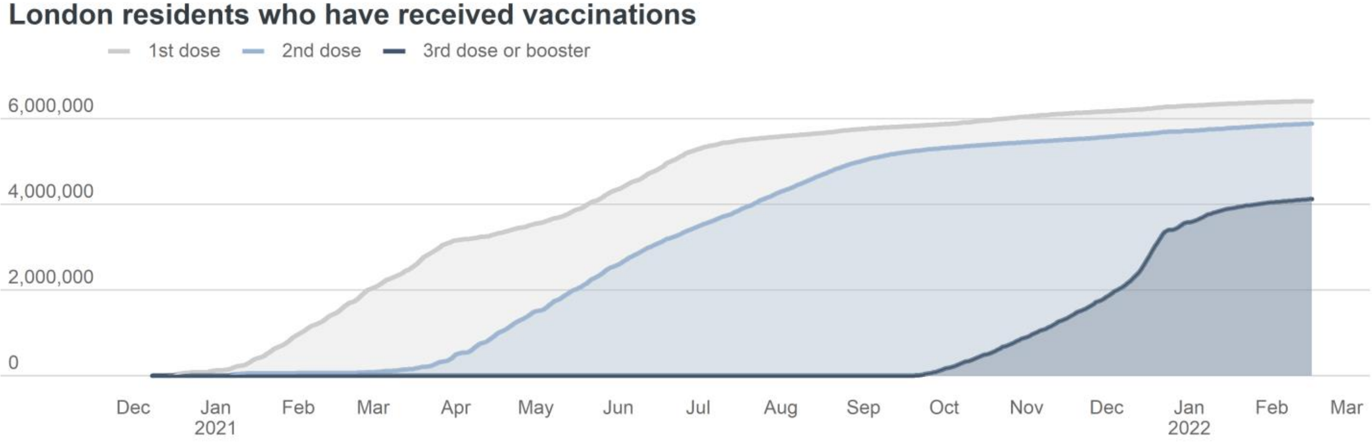
Source: UK Coronavirus Dashboard
Graphic by GLA City Intelligence

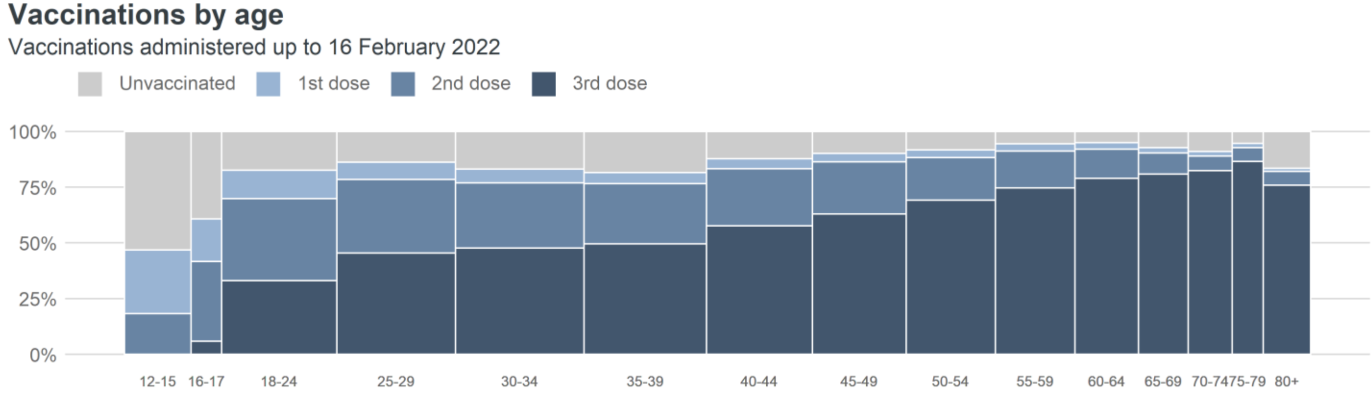
CITY INTELLIGENCE

Over half London's population age 12+ have been boosted, but the pace of the rollout slowed in the new year

By 16 February:

- 85% (6.41 million) of London's population age 12+ had received a first dose
- 78% (5.89 million) had received two doses
- 55% (4.13 million) had received a 3rd dose or a booster

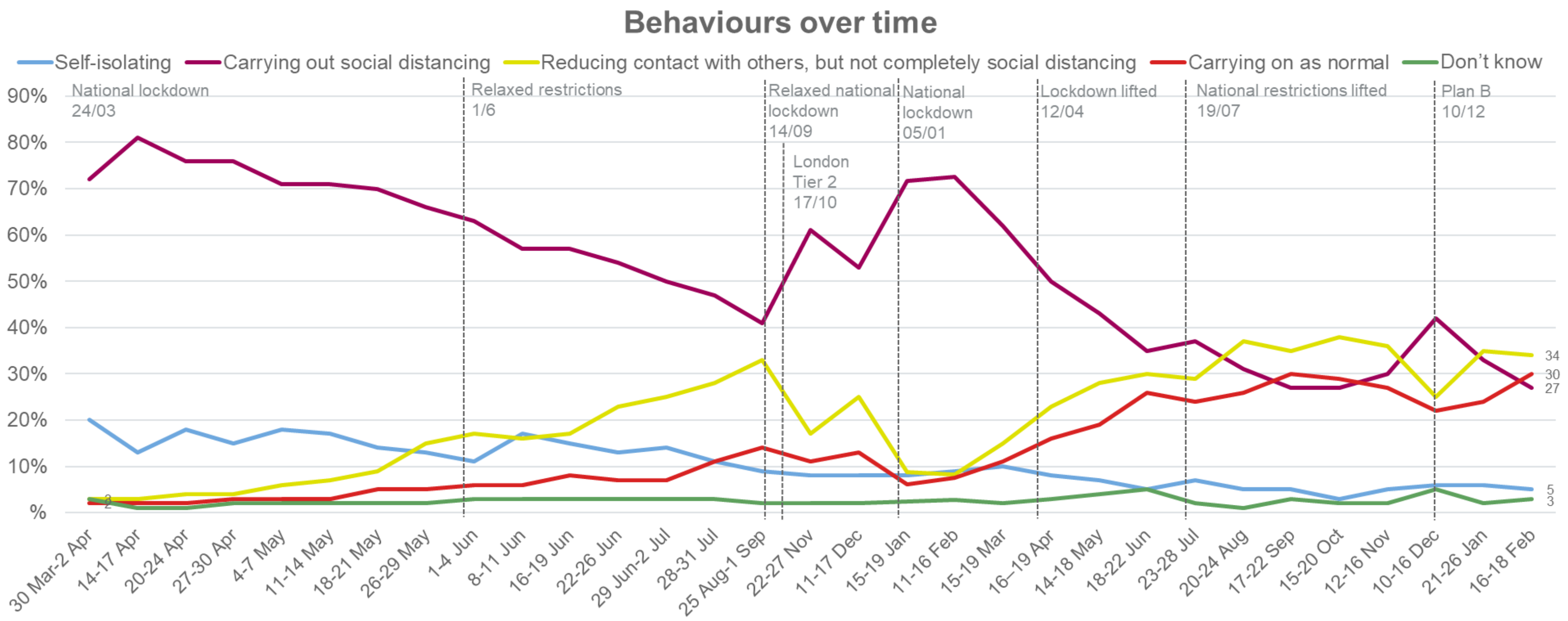




Source: UK Coronavirus Dashboard
Graphic by GLA City Intelligence

CITY INTELLIGENCE

As of February, the proportion of Londoners social distancing continues to decline after a spike in December. Behaviours are similar to those seen in September and October 2021



Source: GLA polling (Feb 22)

- Face covering usage has also returned to levels seen throughout September and October
- Though it still remains high on TfL services (80% always wearing a face covering on TfL in Feb, down from 83% in Dec).

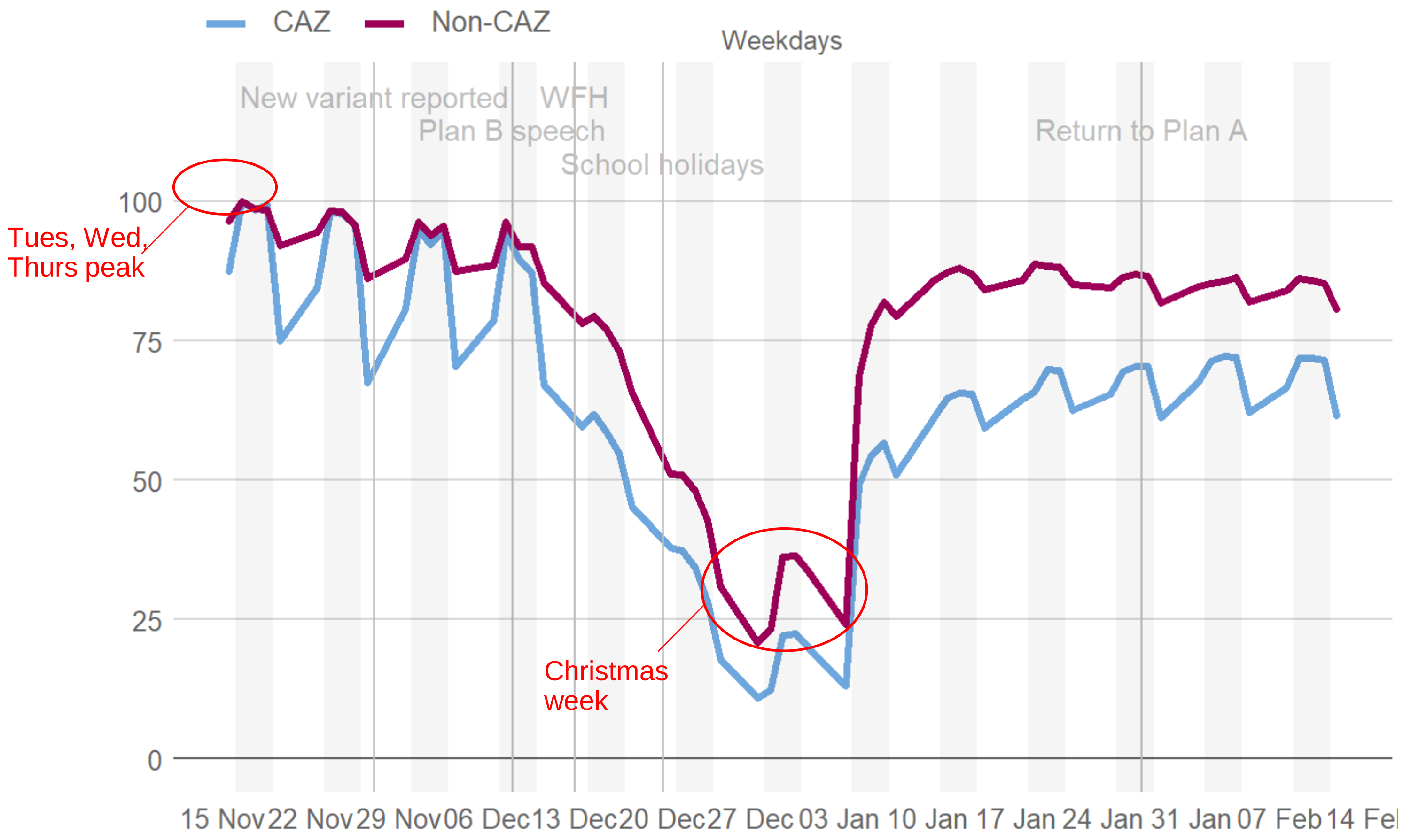
CITY INTELLIGENCE

Mobility and expenditure

- A significant proportion of workers based in the Central Activities Zone (CAZ) have not returned yet and this decreased further following the move to Plan B from 8 December 2021.
- Visits to central London (CAZ) increased during the year and have recovered since the Christmas period
- The ring around Zones 2 & 3 where day-time resident numbers are above pre-Covid levels remains persistent; this may be becoming a more structural change rather than a temporary response to Covid
- Retail and recreation footfall continues to be much lower than pre-Covid in central London, but footfall has almost recovered in most outer London High Streets

A significant proportion of workers based in the Central Activities Zone (CAZ) have not returned yet and this decreased further following the move to Plan B from 8 December 2021

- The number of **workers** was flat during the summer and then climbed from 1 Sept - mid Nov to a ‘new normal’ of around 60% of 2019 figures.
- There was a small decline following reporting of the new variant and a sharp decline following the Plan B restrictions.
- Worker numbers in outer London were less affected (where there are more non-office jobs).

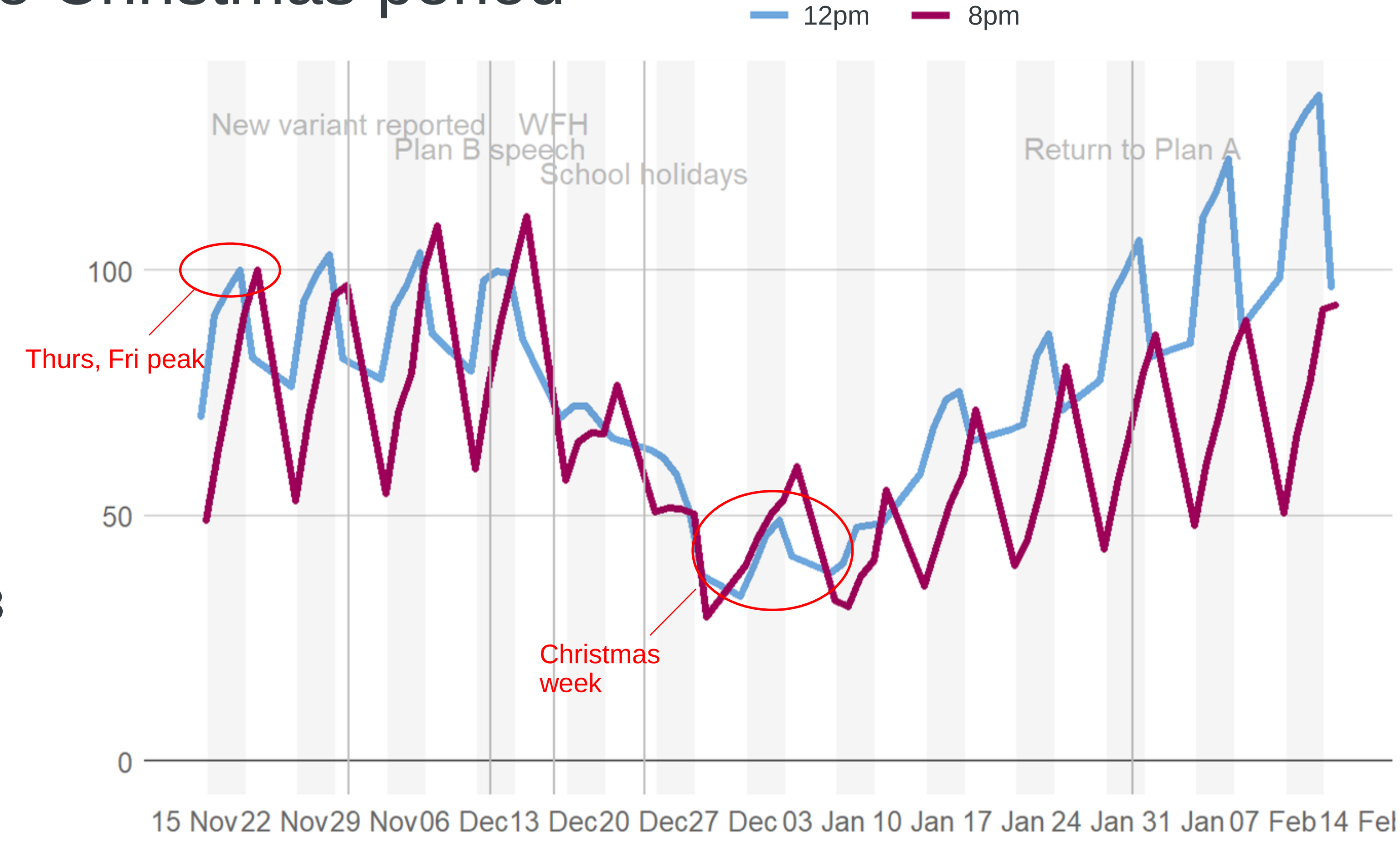


Workers at midday, taking Nov. as 100

Source: Anonymised & Aggregated data from O2

Visits to central London (CAZ) increased during the year and have recovered since the Christmas period

- Visitor numbers to central London climbed during August & September to 70% of 2019 during weekdays & nearly 100% at the busiest weekends (having been less than 50% in May 2021).
- This ‘new normal’ continued into mid December.
- The introduction of Plan B suppressed activity levels in the 2-3 weeks leading up to the Christmas/New Year week (compared to 2019).

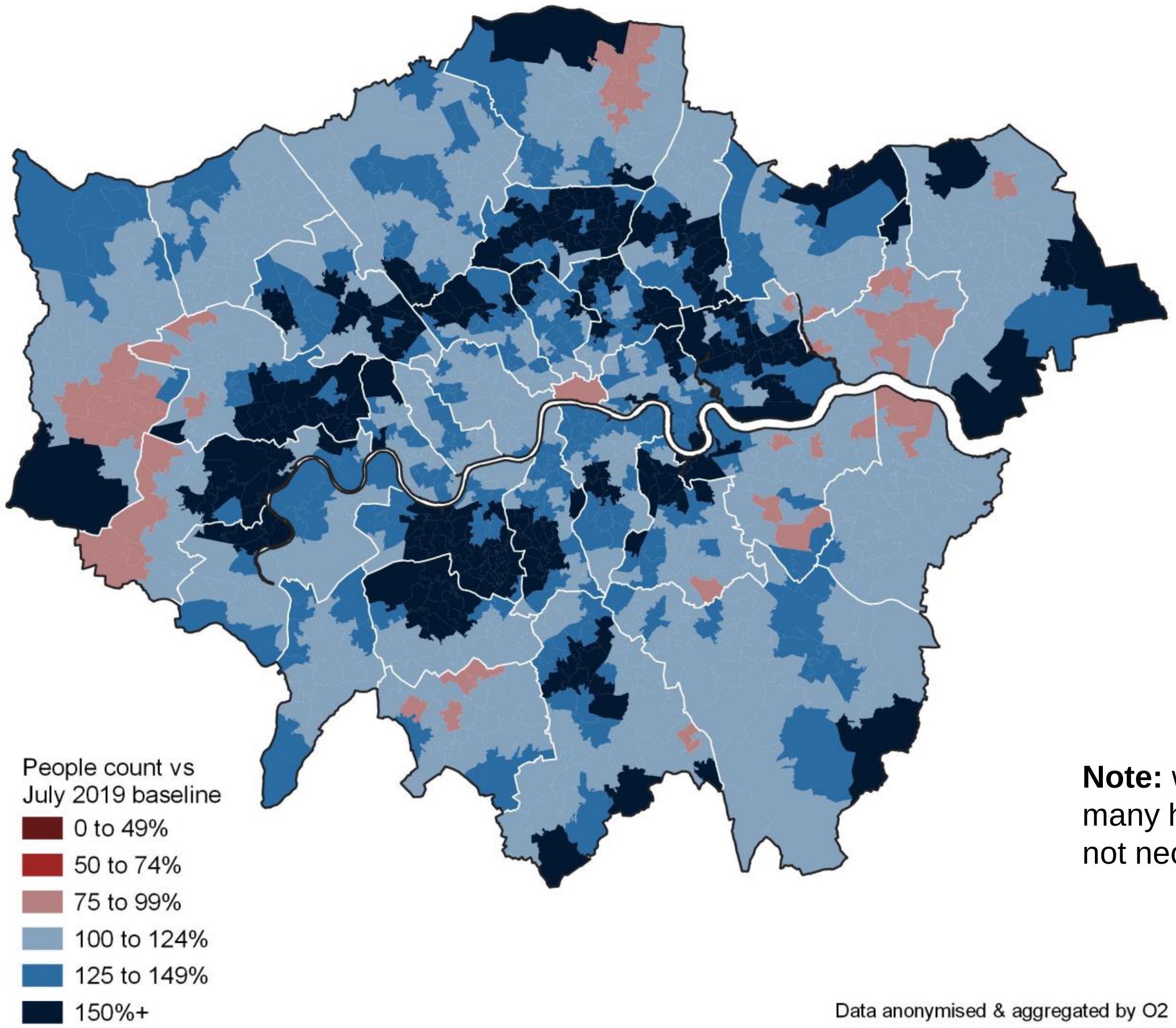


Visitors to CAZ, taking Nov. as 100

Source: Anonymised & Aggregated data from O2

CITY INTELLIGENCE

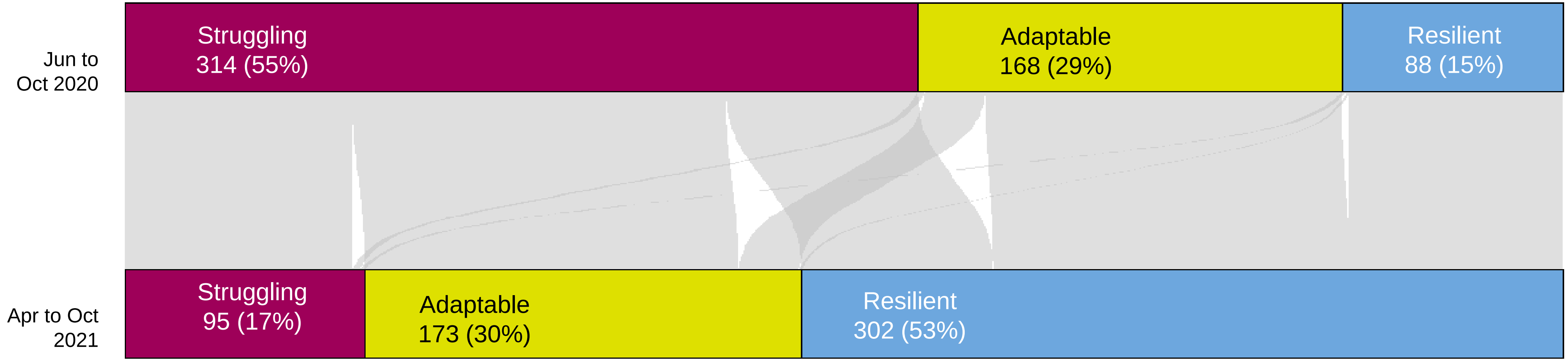
The ring around Zones 2&3 where day-time residents are above pre-Covid levels remains persistent, suggesting this could be becoming a more structural change than a temporary response to Covid



Note: while the additional daytime residents are likely to include many homeworkers, others may be students or others at home but not necessarily in paid employment

CITY INTELLIGENCE

The recovery profiles of 600 local High Streets show an increase in those progressing from ‘struggling’ to ‘adaptable’ and ‘resilient’. 53% were classified as resilient between April-October 2021



class	description
struggling	Fell well below 2019 levels
adaptable	Gradual recovery towards 2019 levels
resilient	Rapid recovery once restrictions lifted, least affected during lockdowns, some achieve higher spending than 2019

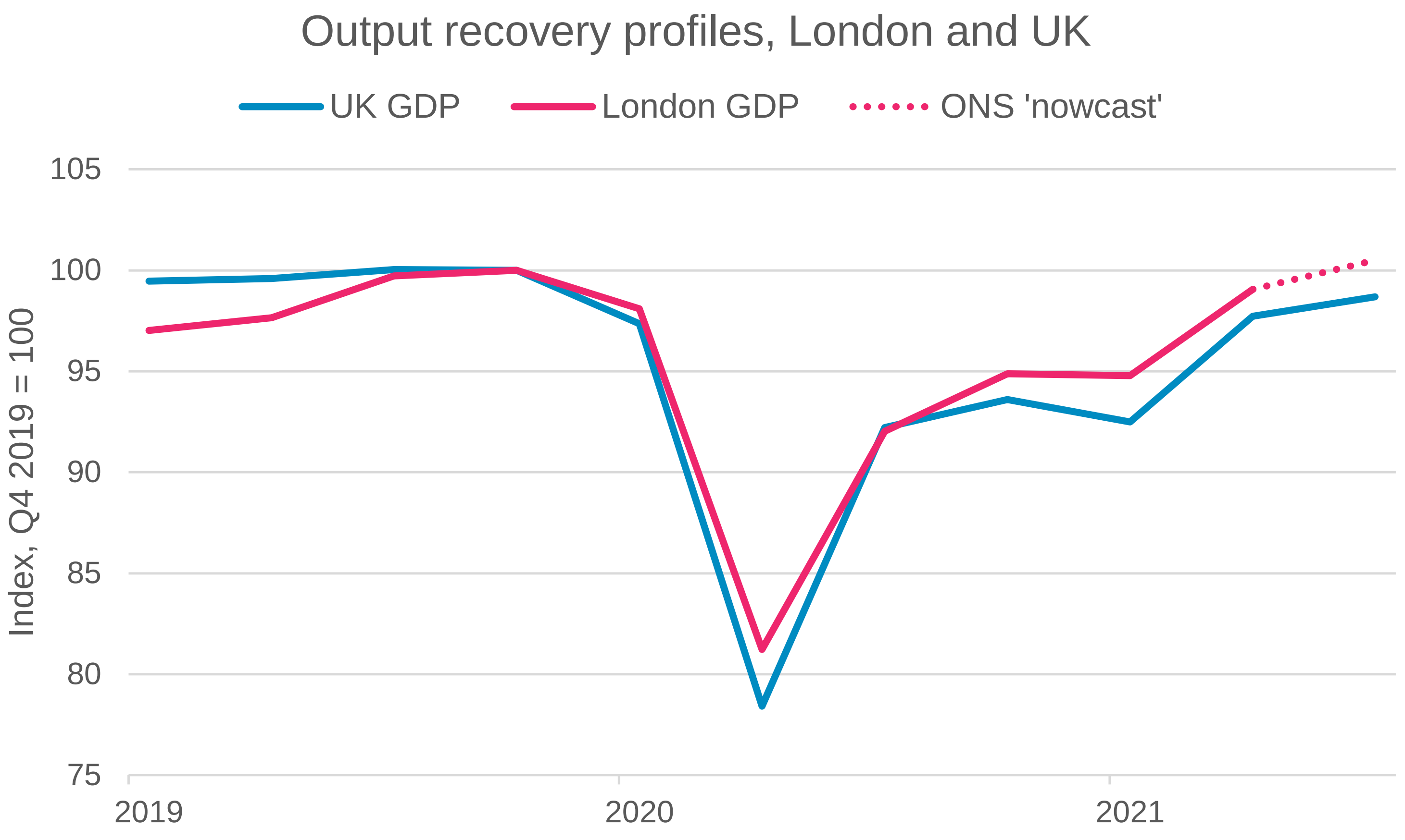
Source: Anonymised & Aggregated data from Mastercard

CITY INTELLIGENCE

Economic activity, the labour market and benefit claims

- The overall size of the capital's economy was close to pre-pandemic levels in late 2021, with Omicron unlikely to derail recovery significantly
- Average rents for new tenancies are now rising faster in London than in other regions
- The number of people out of work has also fallen, although total employment is still down on pre-Covid levels while unemployment and economic inactivity remain higher
- The number of Londoners claiming Universal Credit is decreasing slowly, but over a fifth of working age Londoners are still claiming UC in some boroughs
- Early indicators suggest that labour demand remains robust despite the Omicron variant, although there is some uncertainty around the medium-term economic outlook
- Survey data also suggests that worker shortages remain a challenge for employers, particularly in areas like hospitality, construction and health
- Elevated levels of job postings and unemployment could indicate ongoing frictions in the labour market that are making it harder to match workers to jobs (e.g. skills shortages)

The London economy continues to recover: the overall size of the capital's economy was close to pre-pandemic levels in late 2021, with the spread of the Omicron variant unlikely to derail recovery



Source: ONS, GLA Economics

Average rents for new tenancies are now rising faster in London than in other regions, although house prices are rising more slowly in the capital

- Homelet report that average rents for new tenancies in London were 12.6% higher in January 2022 than in January 2021 (the fastest rate of growth of any English region), and 5.2% higher than in March 2020.
- Rents are now generally rising more quickly in Inner London boroughs than in Outer London.
- This growth is driven by falling supply as well as rising demand: data from real estate portals indicates that there are roughly half the number of homes available for rent on the market in London than there were prior to the pandemic.
- Rightmove report that average asking prices in London were 4.2% higher in January 2021 than they were a year before, the lowest rate of growth among English regions. Similarly, ONS reported that average sale prices in London rose 5.1% in the last year, below other regions.
- The sales market was extremely active in the second half of 2021 due to the end of Stamp Duty relief, with mortgage lending to first-time buyers reaching its highest level since the global financial crisis. Lending volumes have since fallen back again but remain higher than pre-pandemic levels.

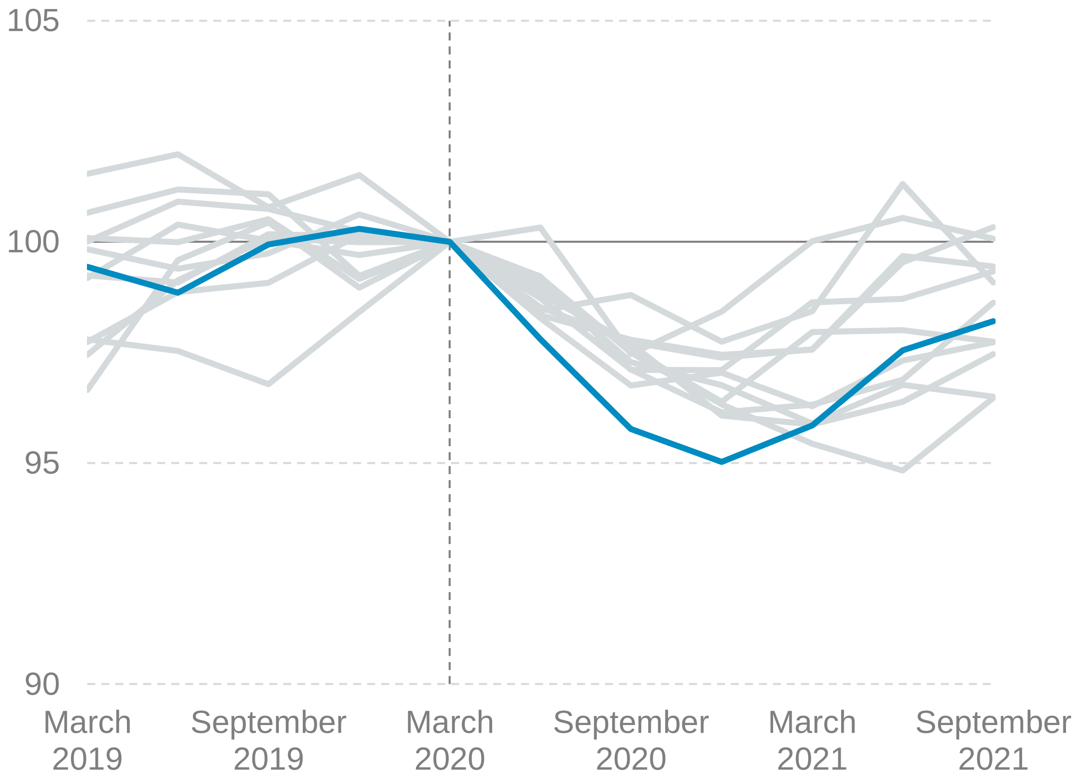
Strong growth in average rents for new tenancies in inner London is consistent with demand returning, but a steady reduction in the supply of rental properties is also a factor

https://homelet.co.uk/homelet-rental-index

As activity has returned towards pre-pandemic levels, a jobs recovery has been underway in London in the last year – but it remains incomplete, owing to a sharp drop in self-employment

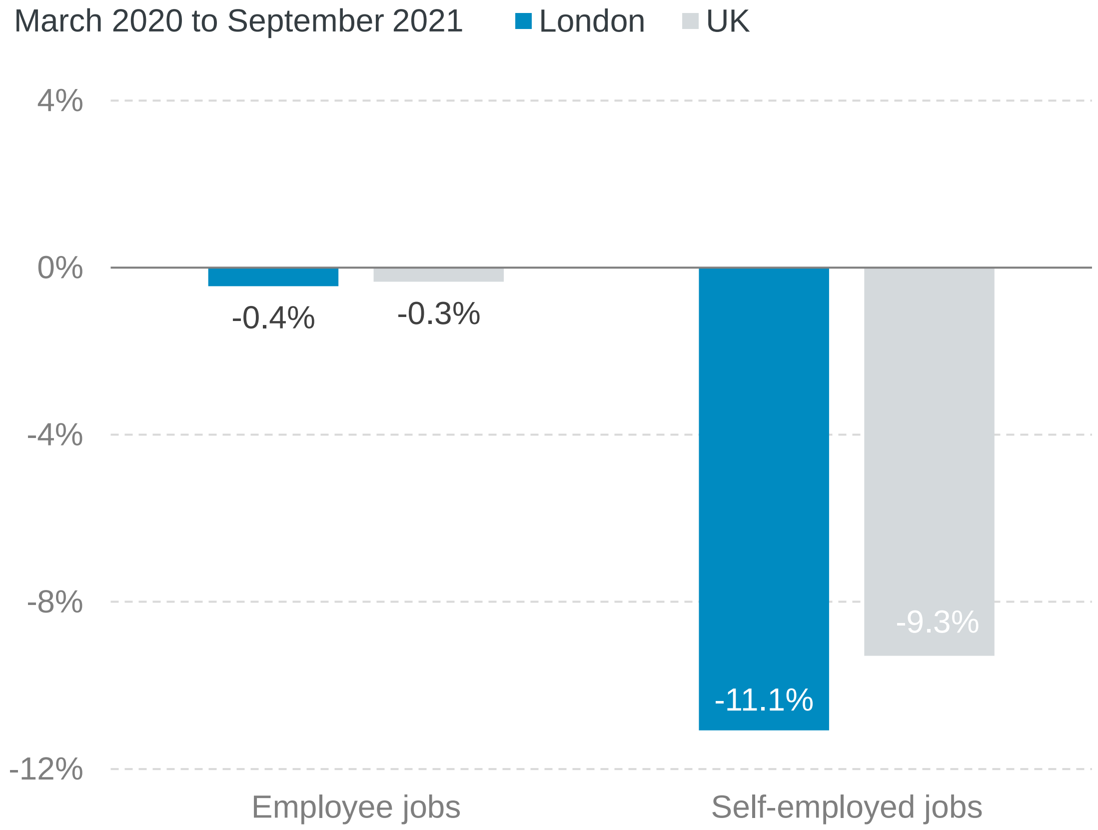
Index of total workforce jobs

March 2020 = 100, **London** vs **other regions/countries**



Percentage change in workforce jobs

March 2020 to September 2021



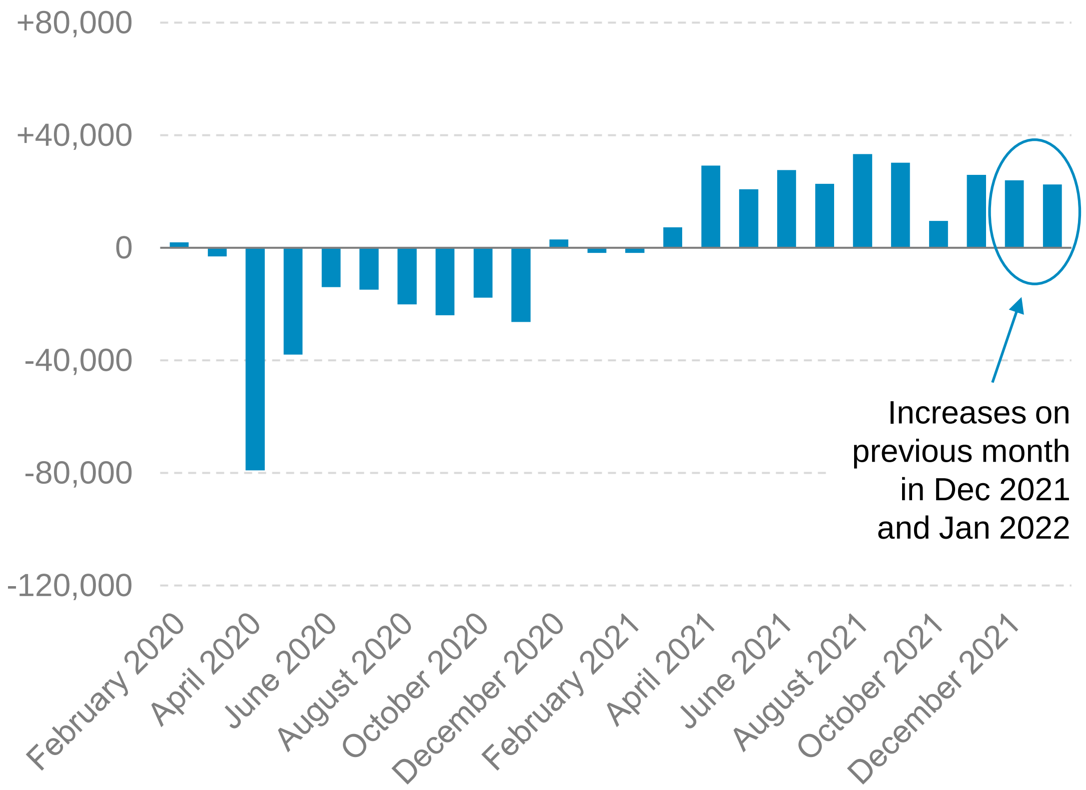
Sources: ONS Workforce Jobs (workplace-based, SA)

CITY INTELLIGENCE

Omicron seems to have had little impact on labour demand: provisional data suggests that payrolled employee numbers have continued to rise while the claimant count has continued to fall

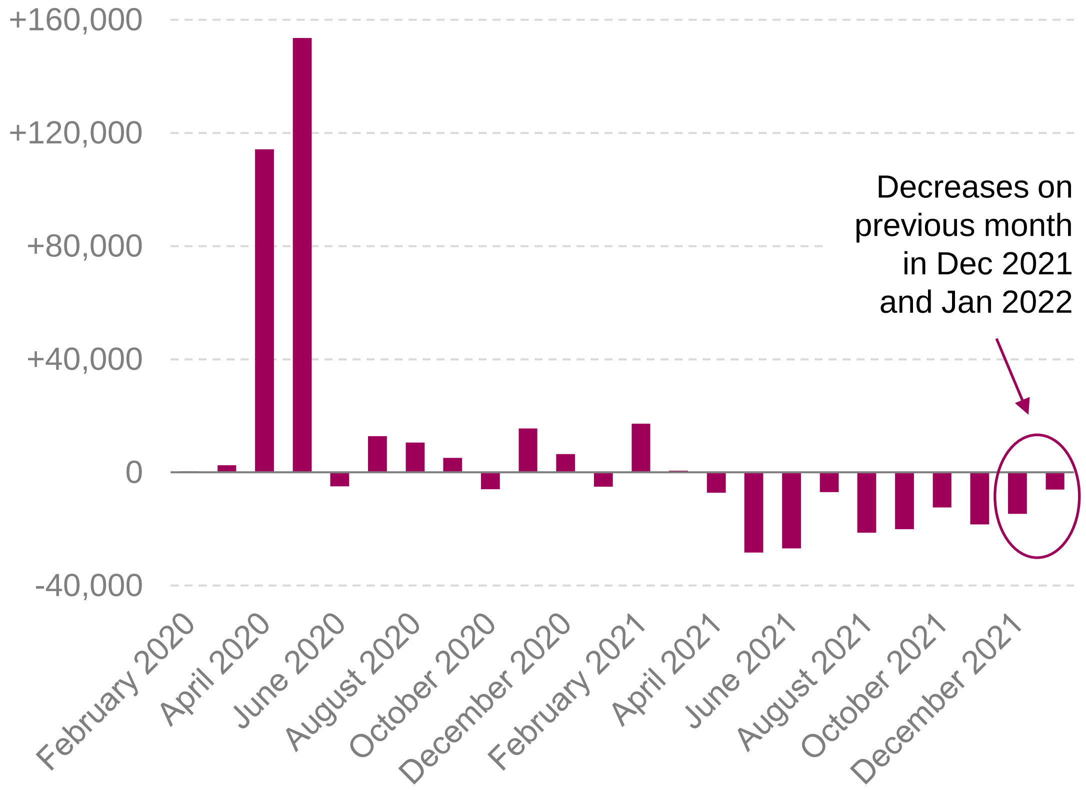
Monthly change in payrolled employees

Change on previous month, London, Feb 2020 to Jan 2022



Monthly change in Claimant Count

Change on previous month, London, Feb 2020 to Jan 2022



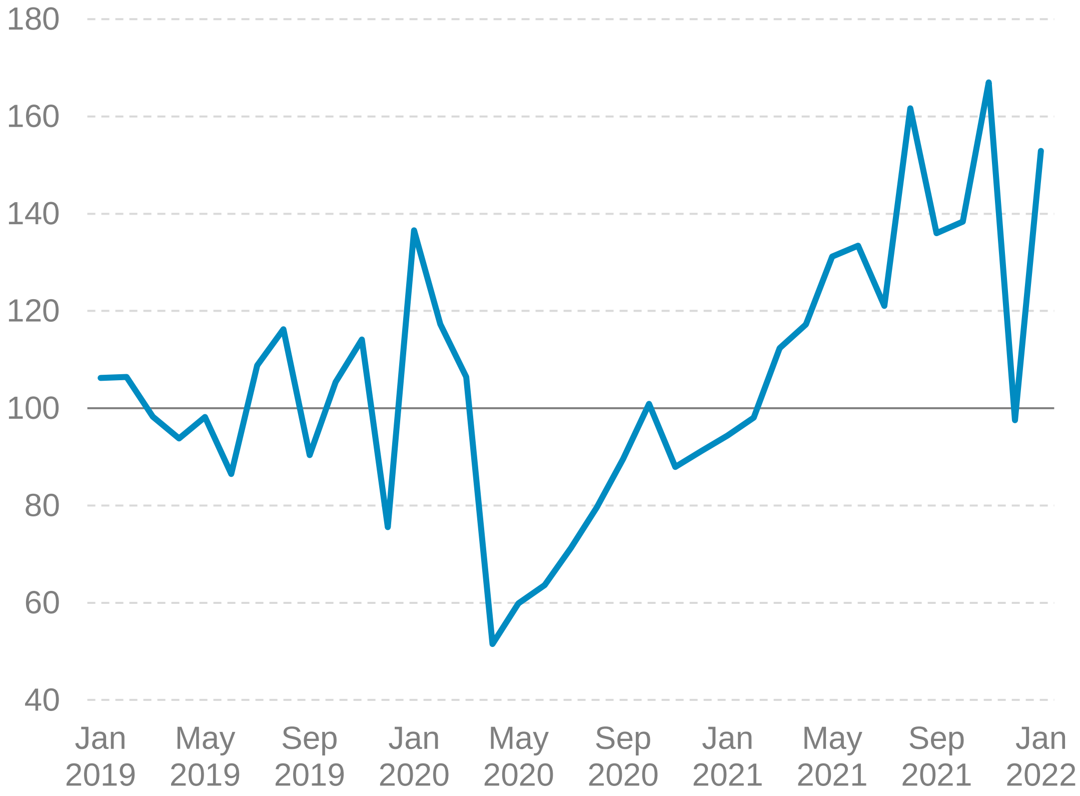
Source: ONS HM Revenue and Customs – Pay As You Earn Real Time Information / ONS Claimant Count. Note: data is seasonally adjusted; payrolled employee estimate for January 2021 is provisional.

CITY INTELLIGENCE

After a drop in December, the number of new online postings for jobs in London rose above pre-pandemic levels again in January – although not all job roles have seen the same rate of recovery

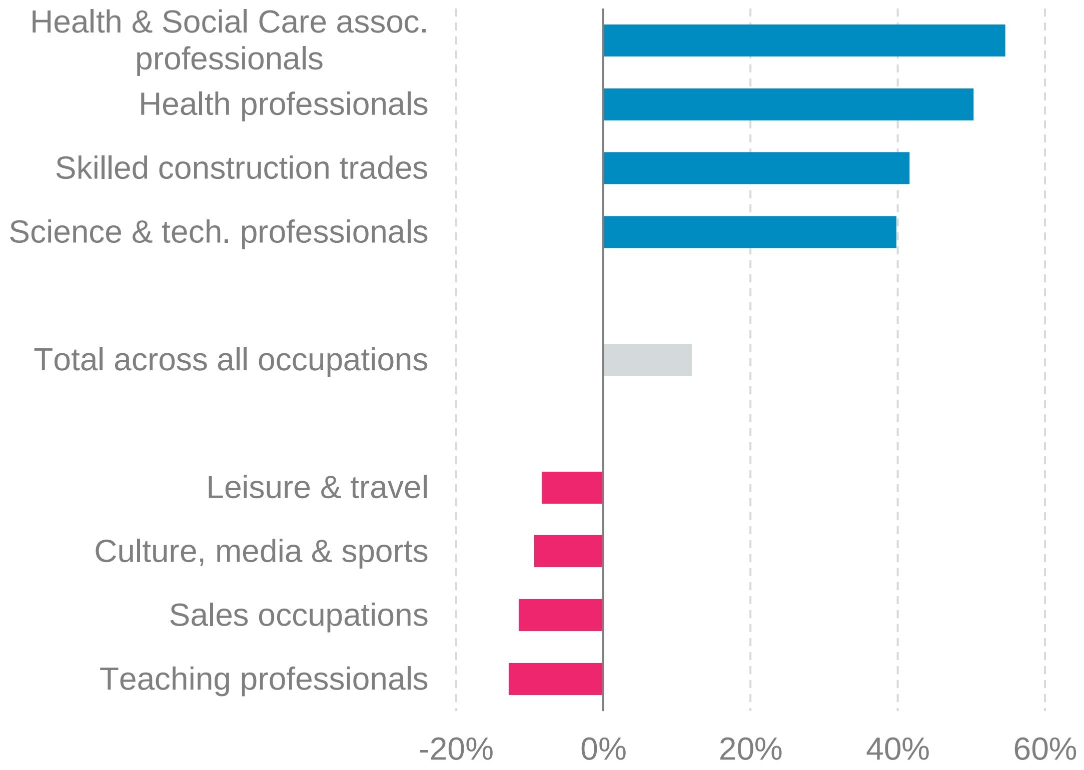
Index of new online postings for jobs in London

2019 average = 100



Change in new online job postings (2-digit SOC)

January 2022 vs. 2020, highest and lowest growth (%)



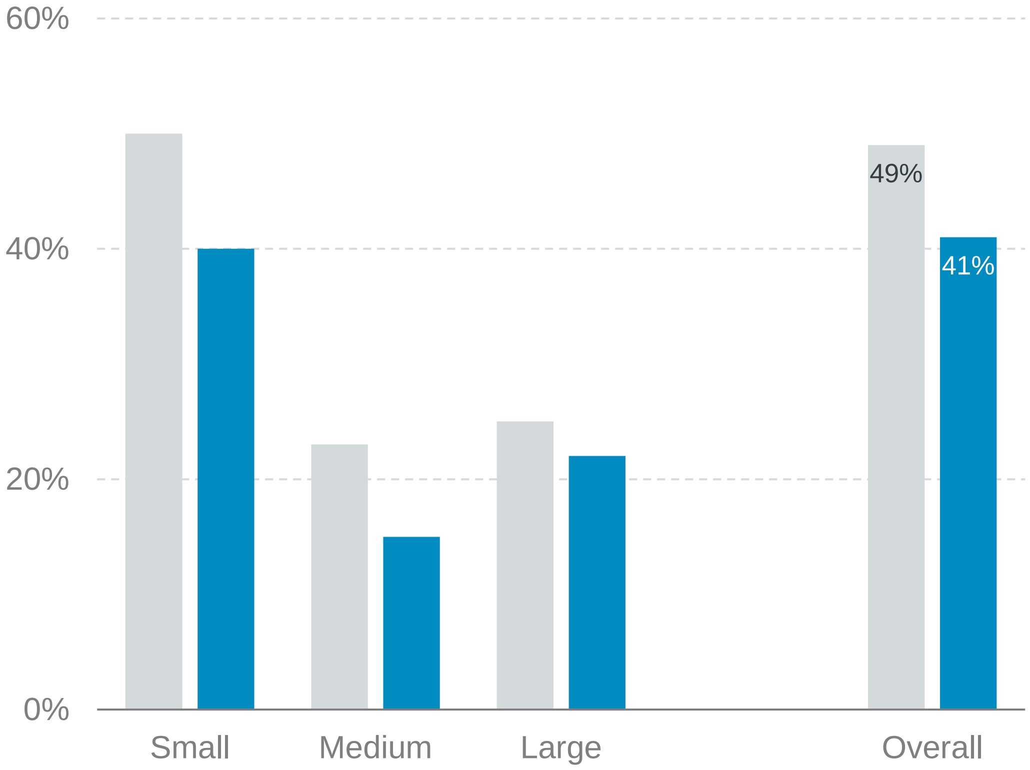
Source: Emsi Burning Glass 2022. Note: postings data was revised in February 2022.

CITY INTELLIGENCE

Survey data points to recruitment difficulties, especially in areas like hospitality, construction and health – this is likely to reflect labour market frictions (e.g. skills mismatches) and worker shortages

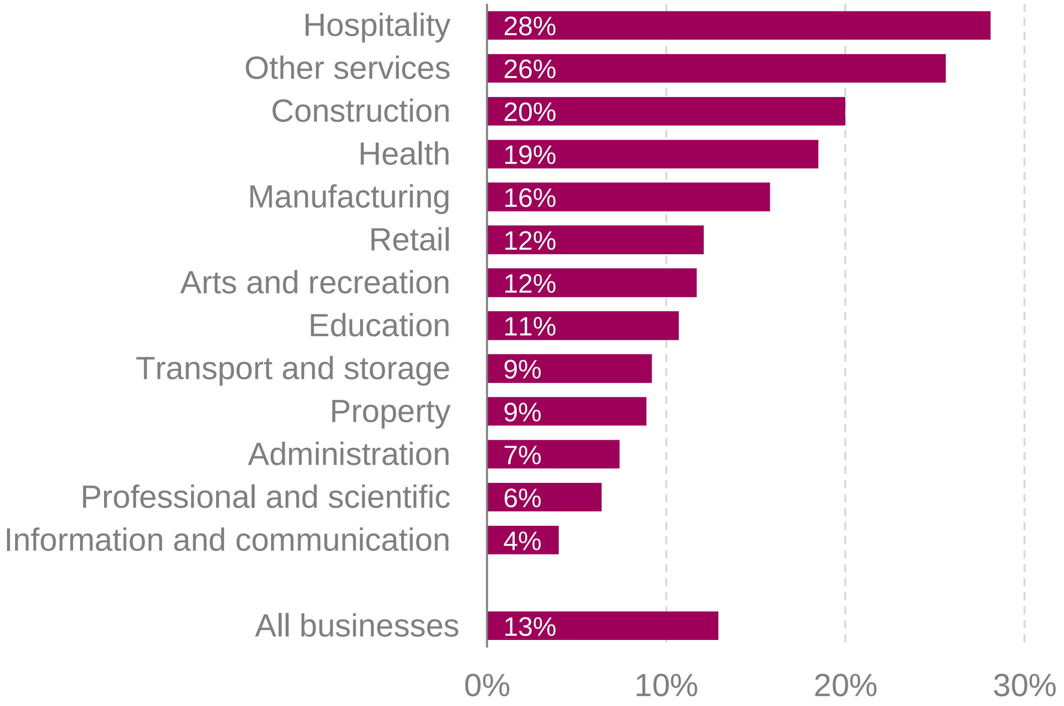
London businesses not facing skills challenges:

2020 vs 2021 % all respondents (2020 = 1,251; 2021 = 1,276)



UK Businesses experiencing worker shortages

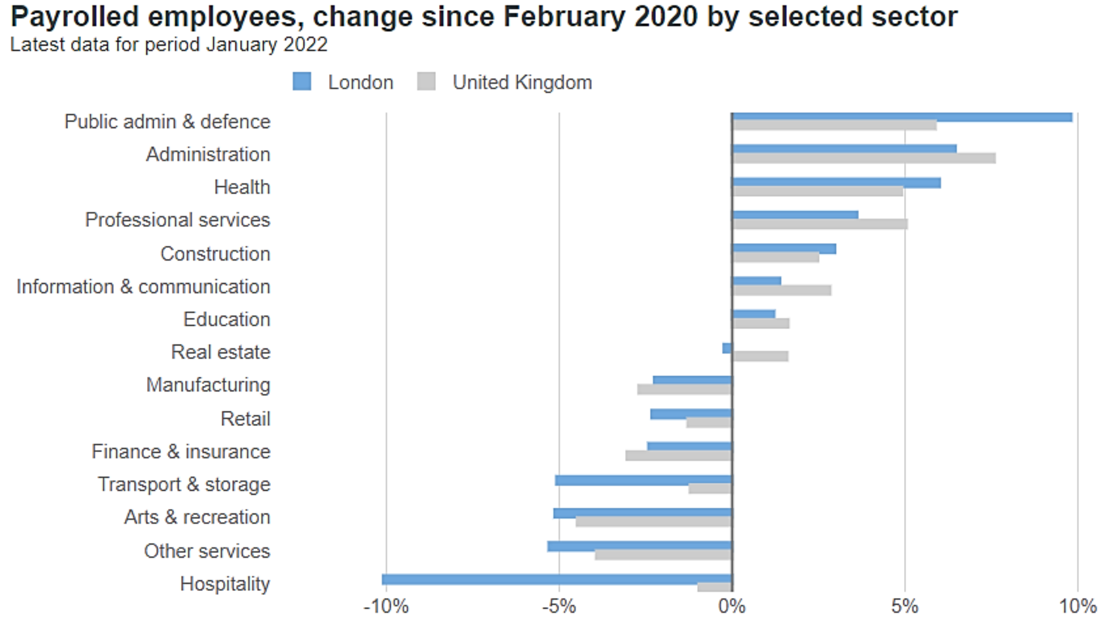
% businesses not permanently stopped trading, by industry, weighted by count, 10 Jan - 23 Jan 2022

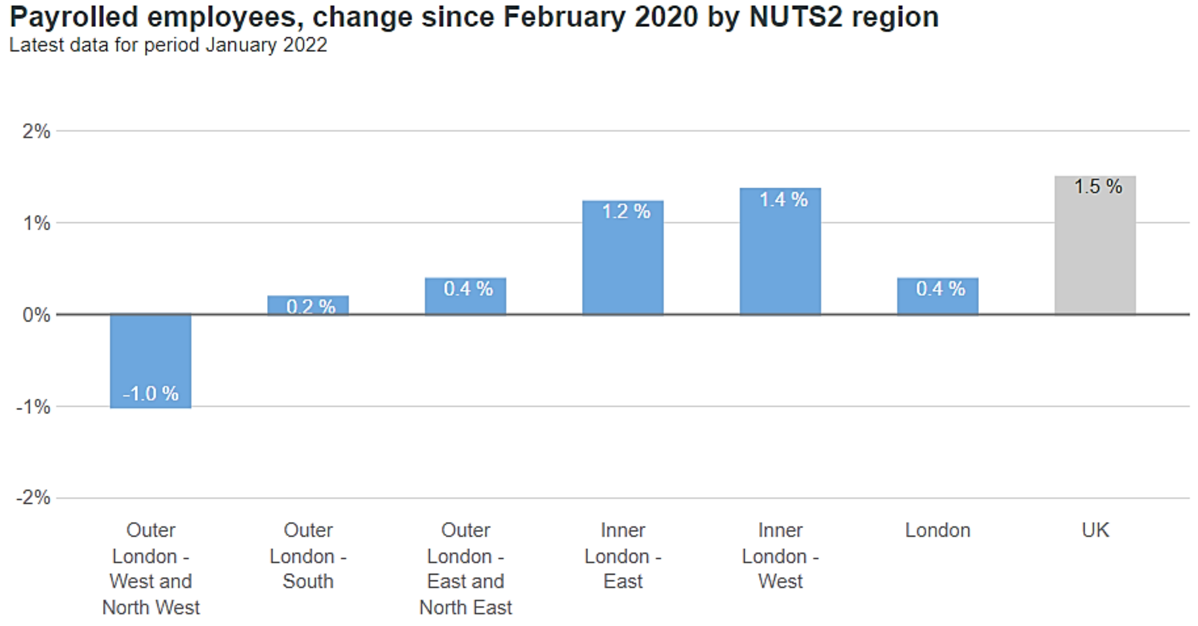


Source: London Chambers of Commerce / London Councils (London Business 1000 Year 4 and Year 5) / ONS Business Survey (2022)

CITY INTELLIGENCE

As well as variation in labour market recovery between sectors, there is also variation between different parts of London

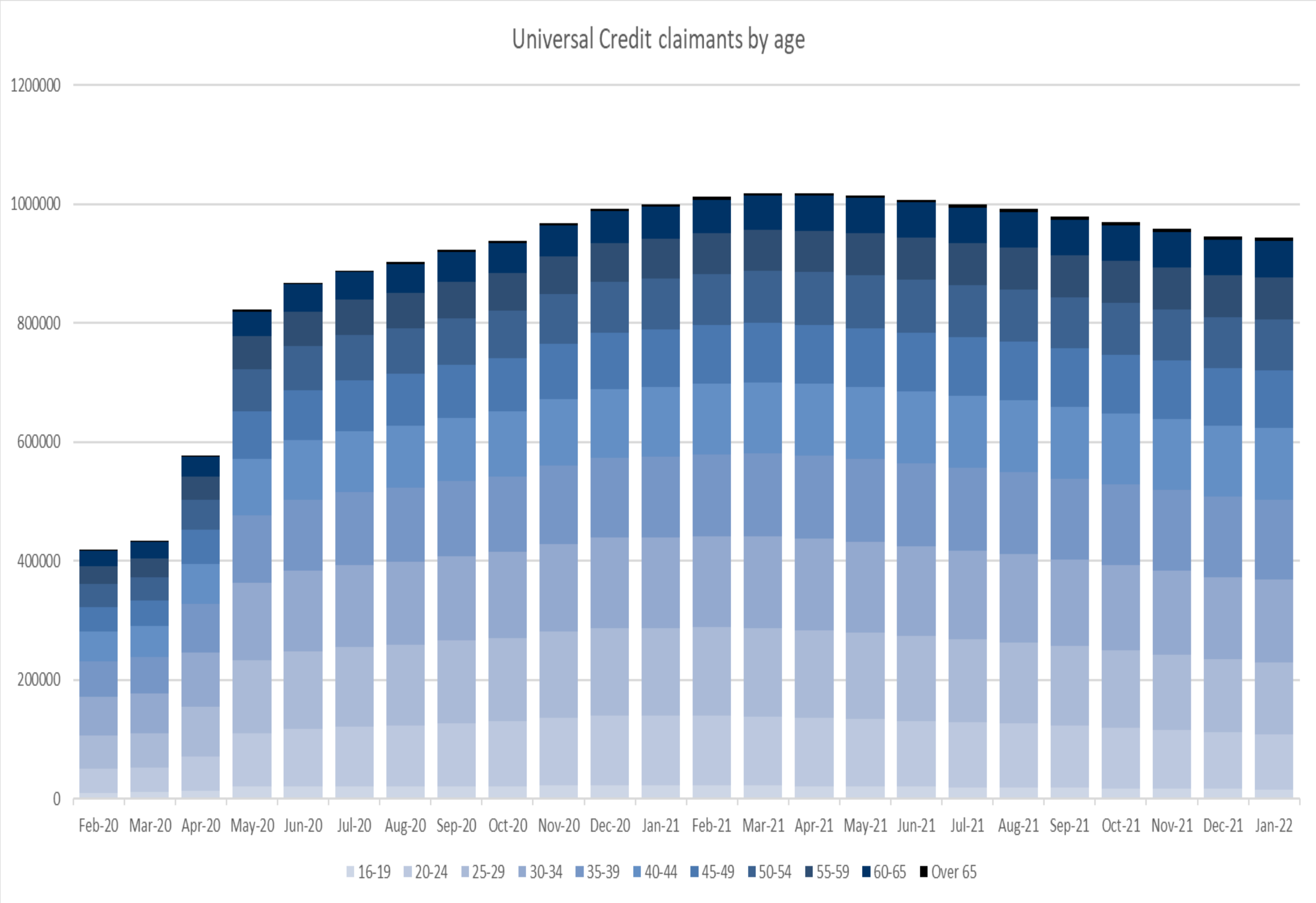




Source: HM Revenue and Customs – Pay As You Earn Real Time Information.
Note: estimates are based on where employees live. Chart excludes sectors with fewer than 25,000 payrolled employees in London.

CITY INTELLIGENCE

The number of Londoners claiming Universal Credit is decreasing, from a peak of 1.02 million in March 2021 to 0.94 million in January 2022

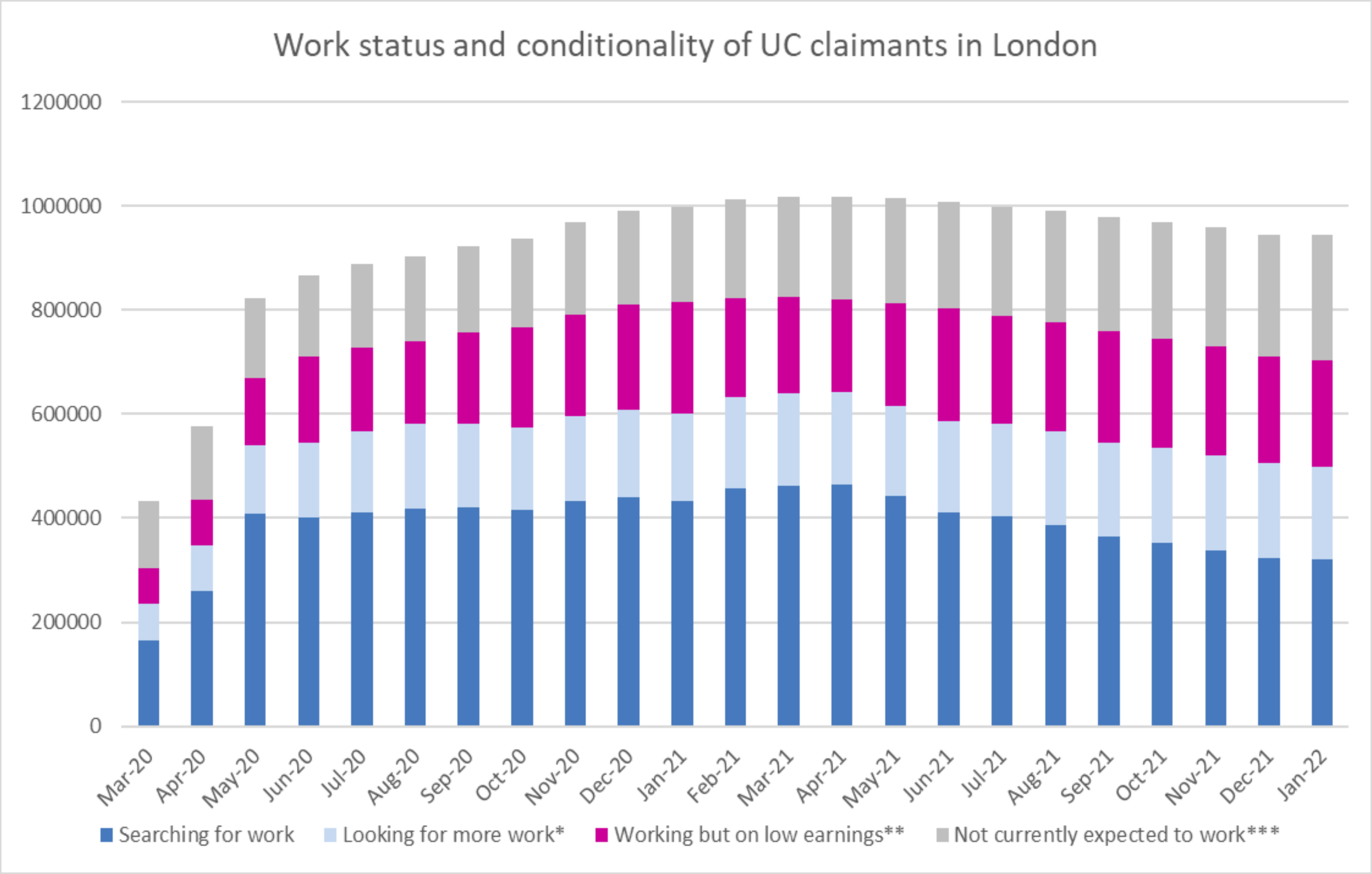


- The number of young people claiming UC is decreasing more quickly than other age groups, particularly among those aged 16-19
- The 40-44 age group is now the group with the biggest increase in UC claimants since the beginning of the pandemic
- The proportion of men claiming UC is also decreasing back towards the pre-pandemic proportion
- The fall in the total number of UC claimants in London is more marked than the fall in other areas of GB

Source: DWP

CITY INTELLIGENCE

The number of UC claimants searching for work is continuing to fall - but the number of claimants in low paid work (which tripled soon after the pandemic started) remains high



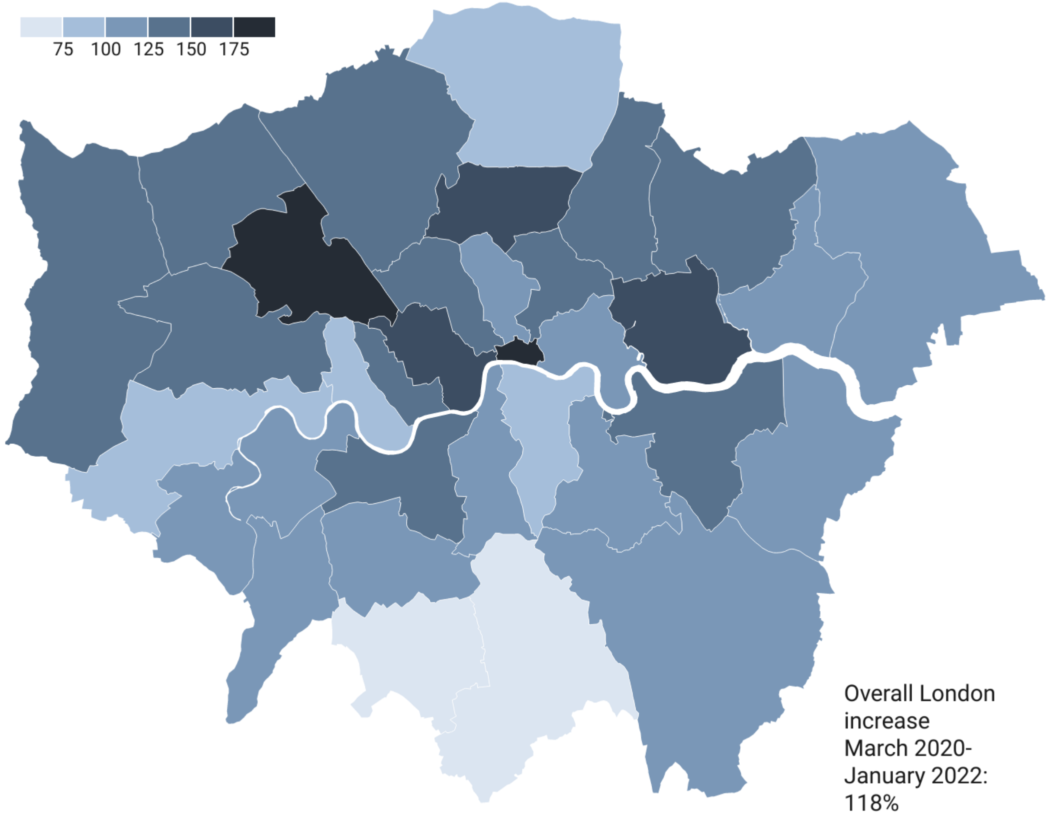
- The number of UC claimants searching for work has been falling since April 2021 and is now well below the level at May 2020
- The percentage of London's UC claimants in employment at least some of the time continues to increase – rising from around 35% through most of the pandemic, to more than 41% in November and December 2021
- The numbers of UC claimants in low paid work needing support, either on low hours or low pay levels, remains at three times the pre-pandemic level

Source: DWP
Notes: * Looking for more work means in work but could earn more or partner has low earnings
** Working but on low earnings means no requirement to look for further work
*** Not currently expected to work because of health or caring responsibilities, though this may change in future

CITY INTELLIGENCE

Almost all boroughs in London are seeing monthly decreases in the number of UC claimants

Percentage change in the number of people claiming Universal Credit March 2020-January 2022



Source: DWP benefit statistics

Map data: © Crown copyright and database right 2018

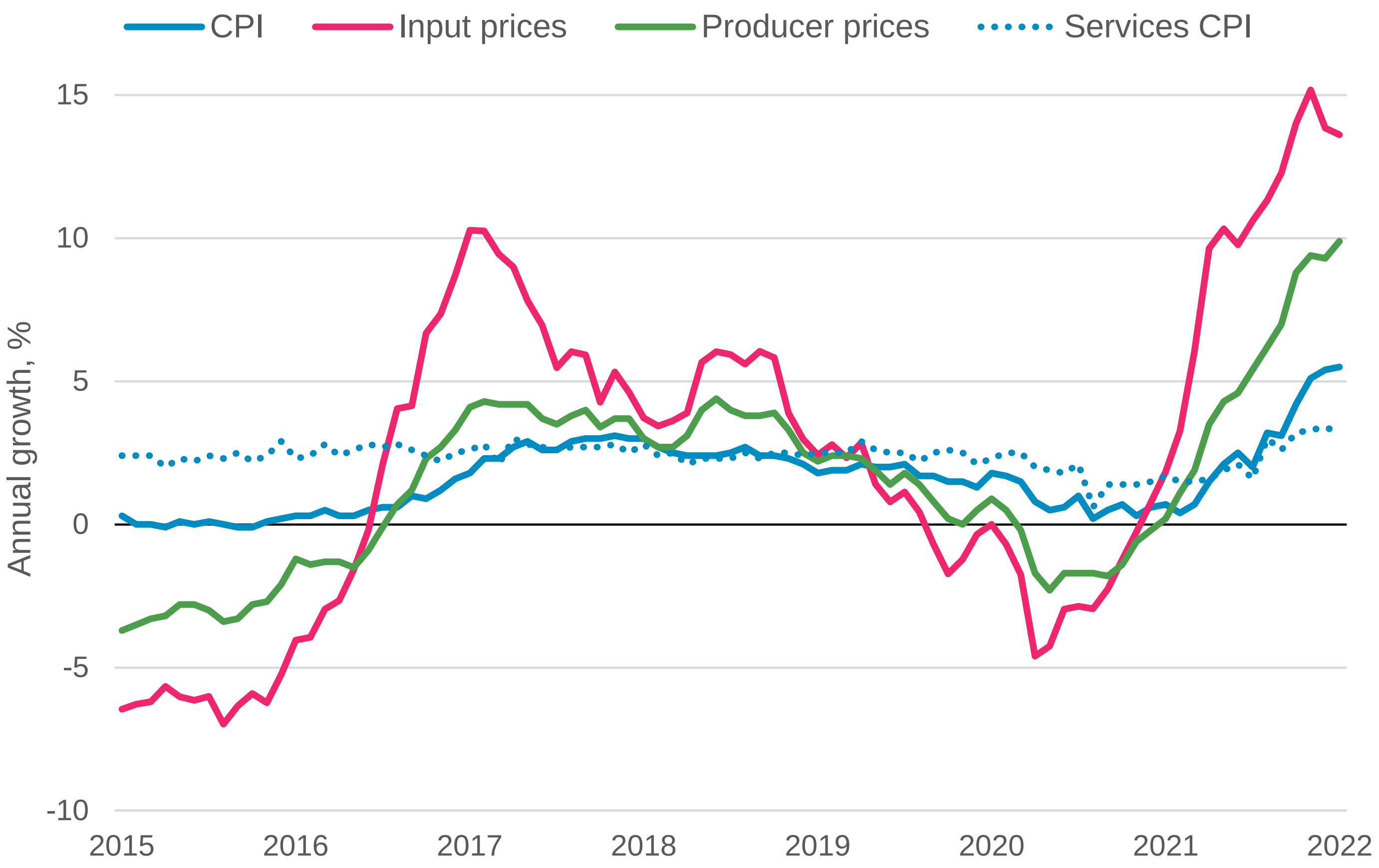
- Newham remains the borough with the largest number of UC claimants – just below 53,000 claimants, a 2,750 decrease on the peak.
- Newham also has one of the highest rates of the working age population claiming UC – 22%, second to Barking & Dagenham (23%).
- UC claimant rates in Haringey and Hounslow are also over 21% while the proportion of all working age Londoners claiming UC is around 16%.*
- The boroughs with the largest decreases in the numbers of UC claimants since the peak are Southwark, Waltham Forest and Lambeth, each decreasing by more than 4,300 claimants.

* there are higher levels of uncertainty than usual around these percentages as there is increased uncertainty around the population estimates. The working age population is taken as age 18-65.

Inflation and cost of living

- The rate of inflation in the UK is now at a 30-year-high, with price pressures becoming more broad-based as a result of supply bottlenecks and higher energy prices – this will drag on real incomes and spending
- However, the cost of living was already a challenge for Londoners before the pandemic, median weekly earnings for employees in London were below pre-2008 levels when adjusted for inflation
- Sharp energy price hikes are likely to raise London's already higher-than-average fuel poverty, with a serious impact on the worst-off Londoners
- More than 1 in 10 Londoners (13%) say they are struggling to make ends meet, having to go without basic needs, or relying on debt.
- Over three quarters of Londoners (79%) say their cost of living has increased over the last six months, with three in ten (29%) saying that it has increased a lot for their household
- In September 2021, around one in five (18 %) renters in London reported not being up to date with their rent payments

The rate of inflation in the UK is now at a 30-year-high – this will drag on real incomes and spending

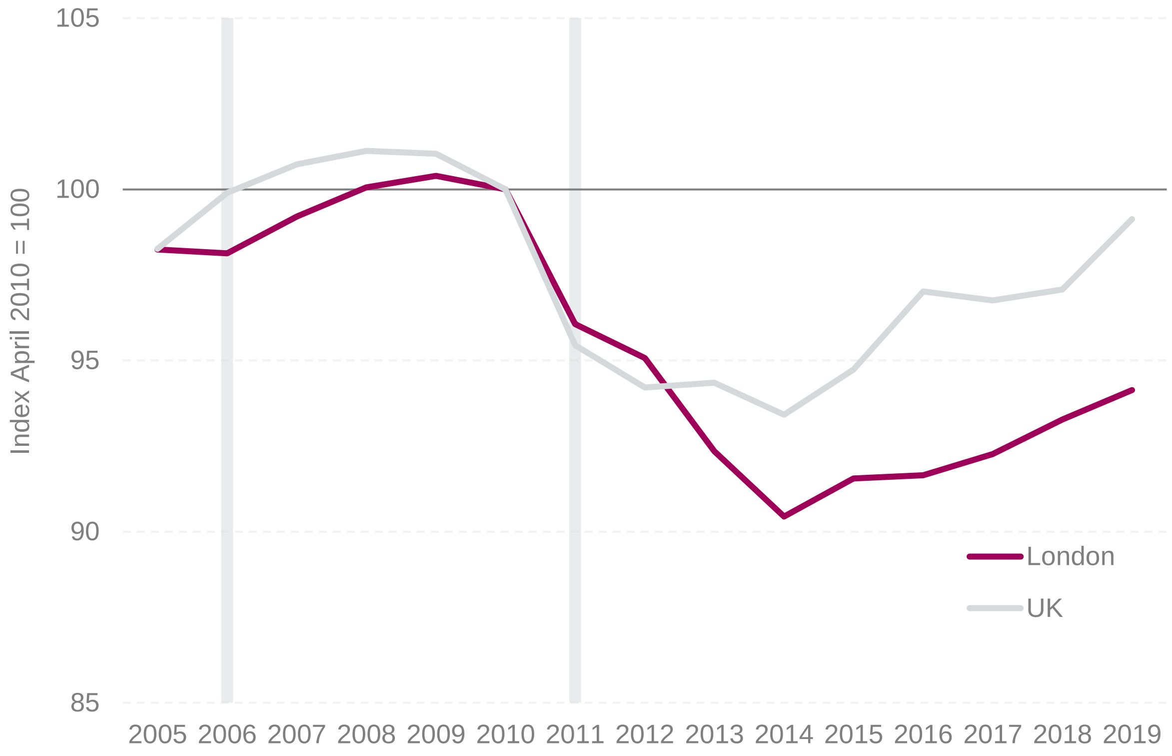


- Inflation reached 5.5% year-on-year in January, amid supply chain challenges and fuel price increases.
- Meanwhile, prices tend to be around 7% higher in London than the UK average.
- Price growth in London is also likely to be higher than in the rest of the UK, with the National Institute of Economic and Social Research (NIESR) estimating an underlying inflation rate for London that is 0.9 percentage points higher than the national average.

Source: ONS, GLA Economics

However, the cost of living was already a challenge for Londoners before the pandemic, median weekly earnings for employees in London were below pre-2008 levels when adjusted for inflation

Median gross weekly pay for all employee jobs, real (inflation-adjusted) terms, 2005 to 2019

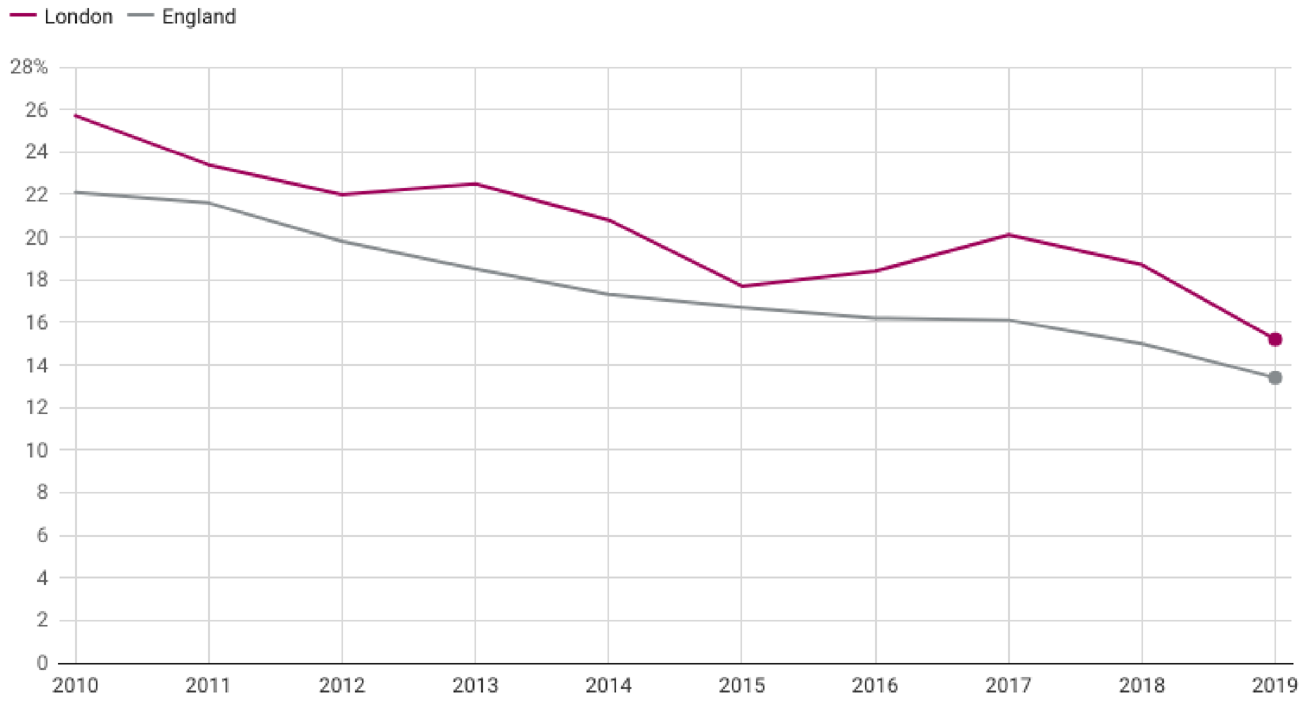


Source: ONS ASHE (via Nomis, by place of work); Note: caution should be taken when comparing across time series as there are discontinuities in the 2006 and 2011 ASHE estimates

- Adjusting for national inflation, median weekly pay for employee jobs in London was 5.9% below 2010 levels in 2019, while for the rest of the UK that gap was just 0.9%
- Recent tax and benefit changes are set to worsen conditions, with an estimated 130,000 more Londoners in poverty following the end of the Universal Credit uplift

Sharp energy price hikes are likely to raise London's already higher-than-average fuel poverty, with a serious impact on the worst-off Londoners

Proportion of households in fuel poverty, London and England
2010 to 2019



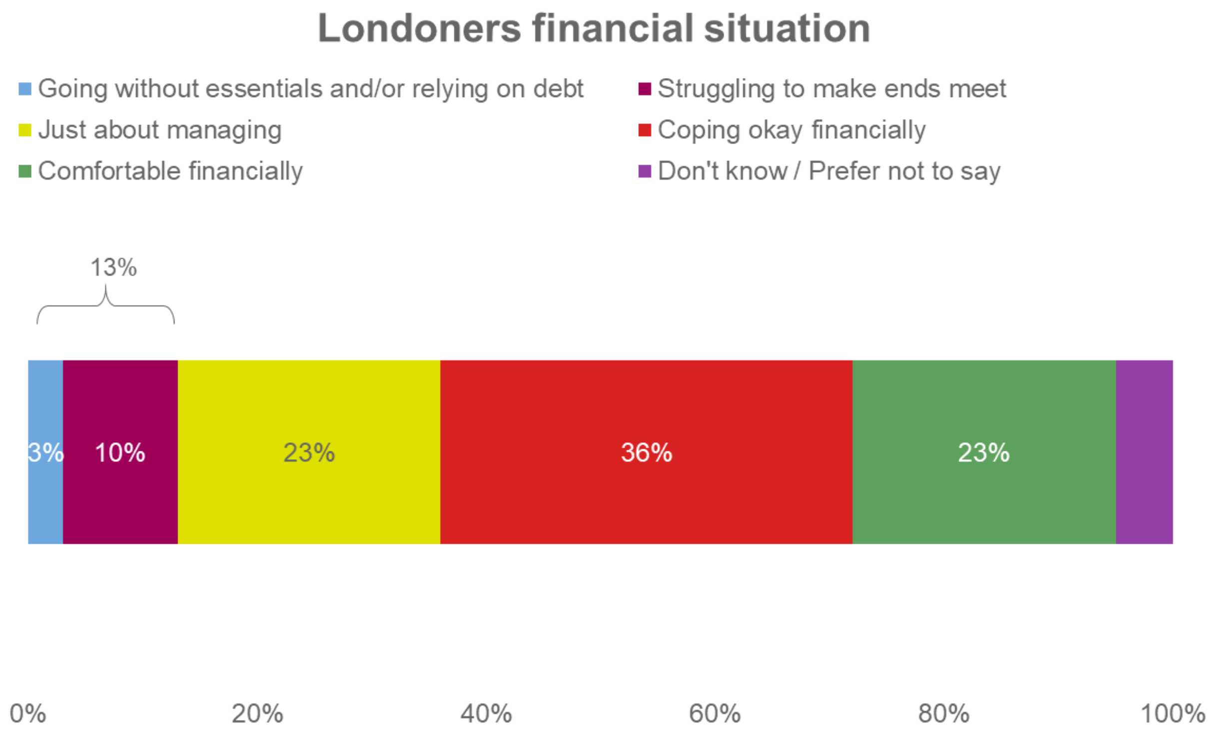
Source: BEIS Low Income, Low Energy Efficiency dataset
Note : Prior to 2019 data release, fuel poverty was defined on the basis of Low Income High Costs. This new definition replaces the previous dataset.

Chart: GLA Intelligence • Source: London Datastore

- Over 15% of London households were in fuel poverty in 2019
- With gas prices a key part of high inflation, the £140 increase in the standard tariff in October 2021 put a further 75,000 London households into fuel poverty
- The figure is likely to rise further with a nearly £700 increase on the way in April 2022

CITY INTELLIGENCE

More than 1 in 10 Londoners (13%) say they are struggling to make ends meet, having to go without basic needs, or relying on debt. This is similar to polling from June and October 2021

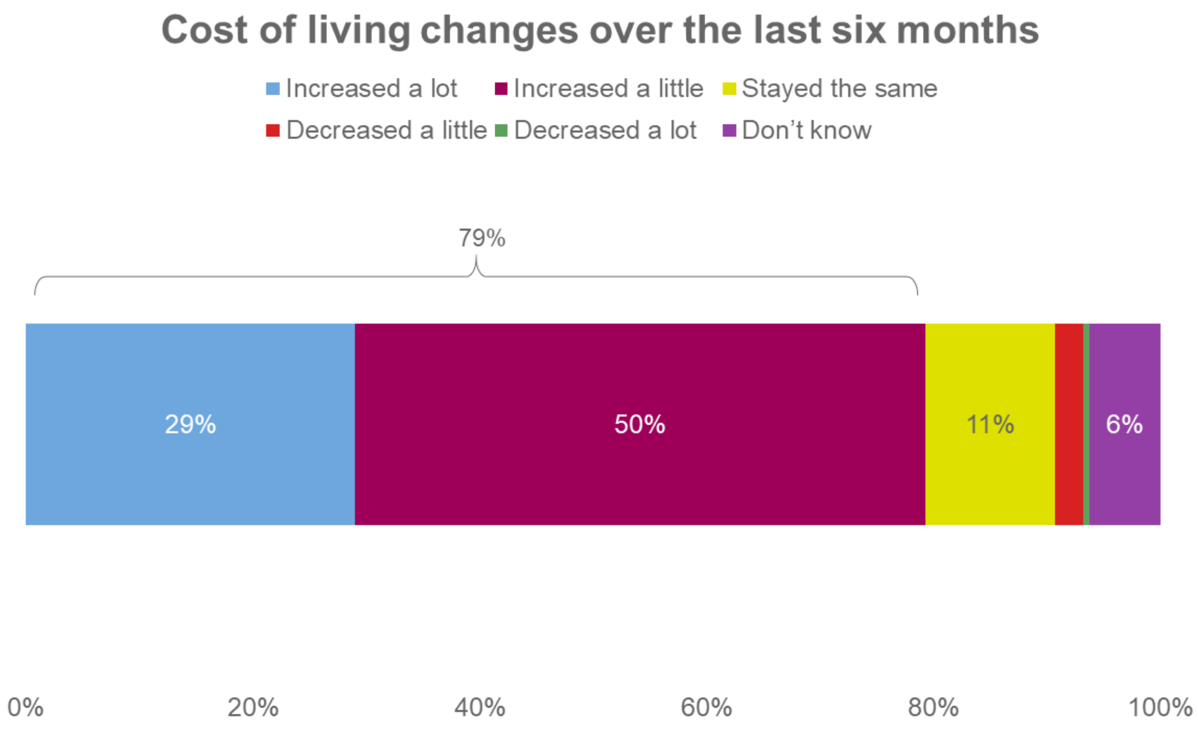


- Londoners with a gross household income <£20,000 per year are significantly more likely to be struggling financially (27% saying they are struggling).
- Those struggling financially are also more likely to be Black (19%), Asian (18%), or aged 35-64 (15%).
- Those not in work are more likely than those in work to say they are struggling financially (17% vs 10%).
- Among those in work, part time workers are more likely than full time workers to report that they are struggling (15% vs 8%).
- 14% of self-employed Londoners say that they are struggling.

Source: GLA/YouGov poll – January 2022

CITY INTELLIGENCE

Over three quarters of Londoners (79%) say their cost of living has increased over the last six months, with three in ten (29%) Londoners saying that it has increased a lot for their household

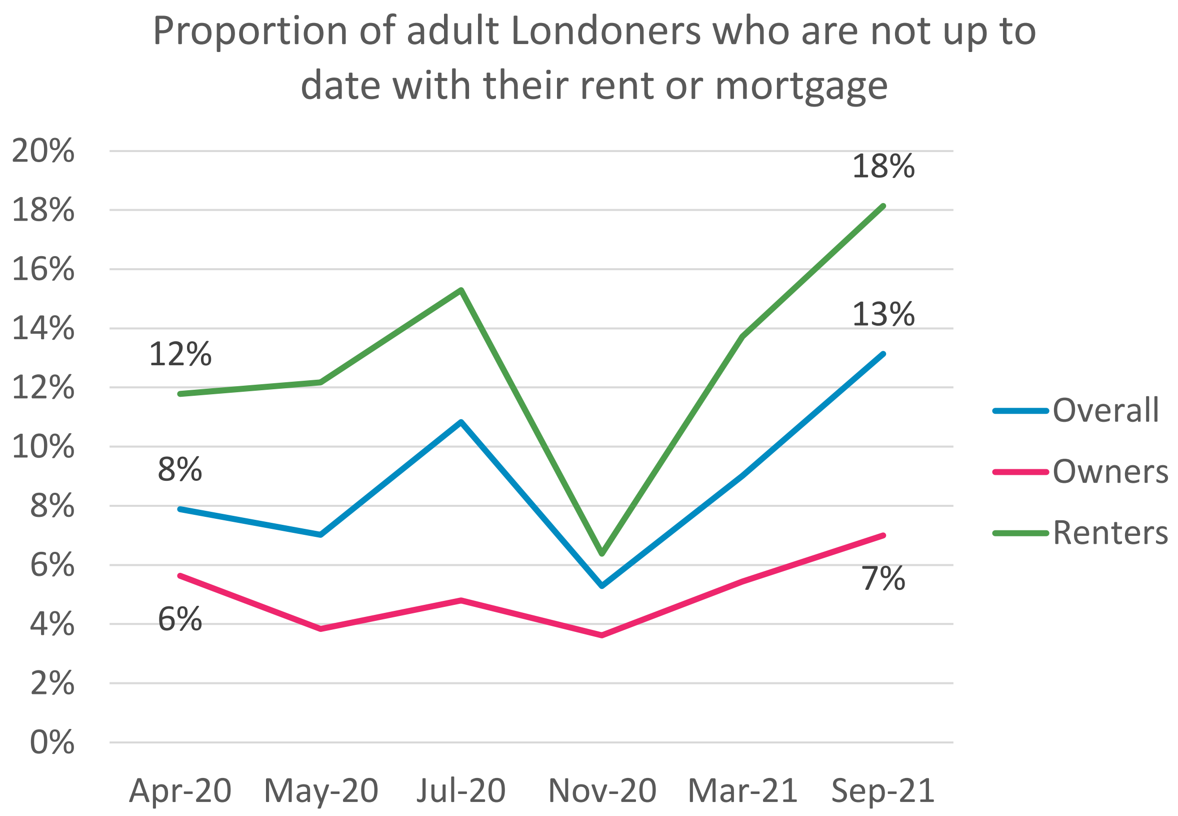


- Most Londoners have seen increases in energy bills (72% seeing an increase) and household essentials shop (73%) over the last six months.
- 61% of Londoners say their other household bills and 49% say their day-to-day transport costs have increased over the last six months.
- 24% of Londoners say their rent, mortgage, or housing costs have increased.
- Asian and Black Londoners, Londoners aged 35 to 64 years old, C2DE Londoners, and Londoners with a gross household income of less than £20k are more likely to say that living costs have increased a lot.

Source: GLA/YouGov poll – January 2022

In September 2021, around one in five (18%) renters in London reported not being up to date with their rent payments

- Eighteen per cent of Londoners aged 16+ were not up to date with their rent or mortgage in September 2021, compared with 8% at the start of the pandemic (April 2020).
- The increase has been driven by a greater proportion of renters not being up to date, as opposed to owners.
- There was a split by household tenure with 18% of renters not being up to date compared with 7% of owners.
- 10% of Londoners aged 16+ were behind with some or all of their other household bills in September 2021.
- Again there was a split by household tenure with 21% of renters being behind on their household bills compared with 3% of owners.



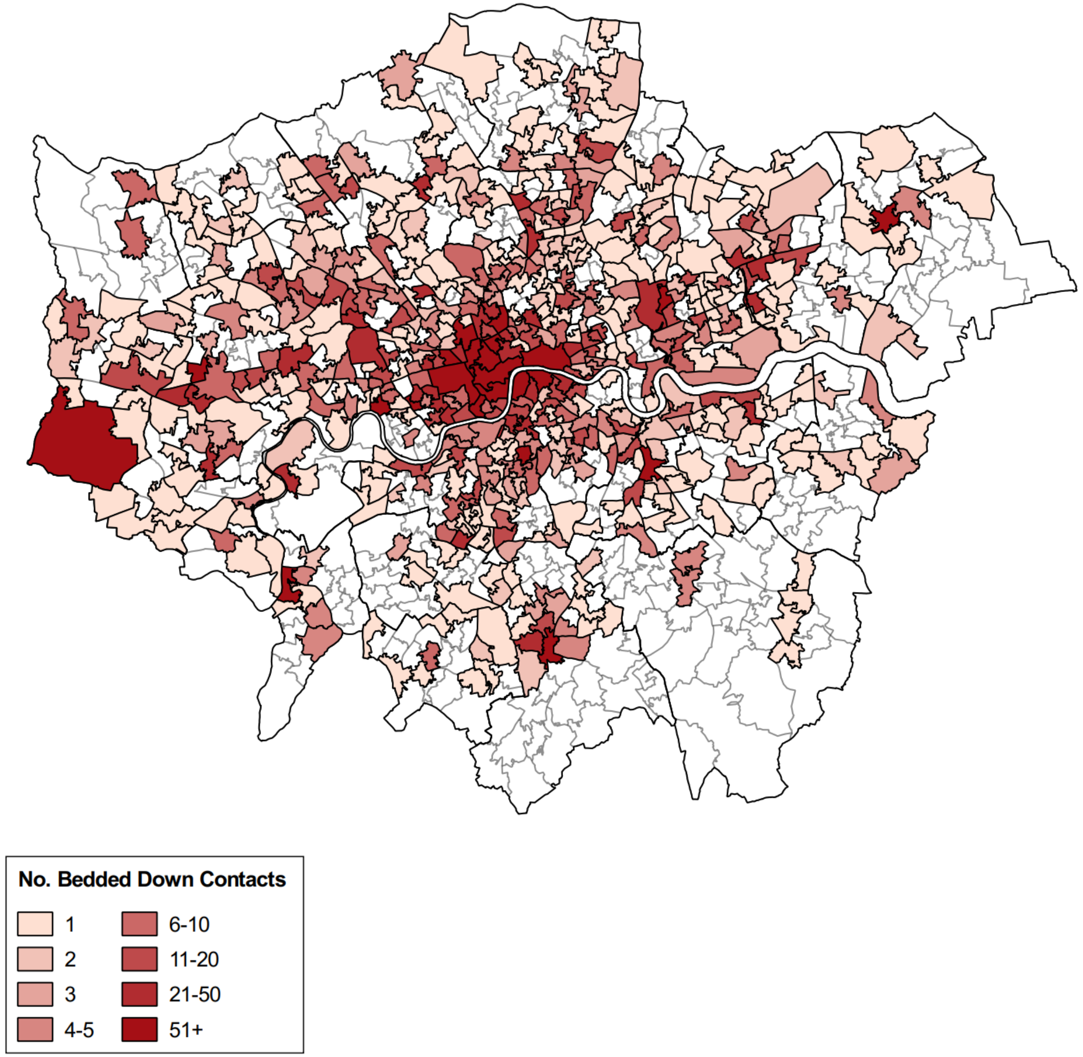
Source: University of Essex, Institute for Social and Economic Research. (2021). Understanding Society: COVID-19 Study, 2020.

CITY INTELLIGENCE

Other socioeconomic impacts

- Other than the cost of living, some social factors were starting to show recovery by September 2021 and subsequently
- As well as a fall in the number claiming Universal Credit, the proportion of Londoners with poor mental health had fallen by September 2021, but life satisfaction was still below pre-pandemic levels
- Rough sleeping in July-September was 28% below the same period in 2020
- Physical inactivity was higher in the year to May 2021, than the year to May 2020
- Most crime types were back to pre-pandemic levels except sexual offences which remain high. Some types of violence also remain elevated.

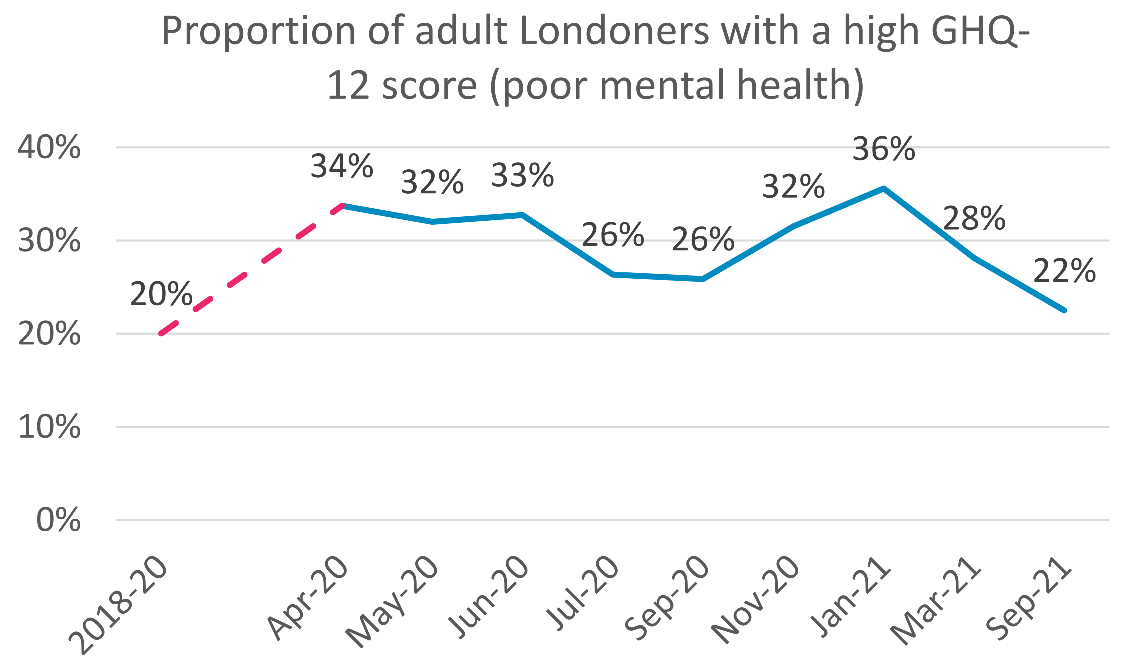
The latest data on rough sleepers for July-September 2021 show the recorded number of new rough sleepers was 28% lower than the same period last year

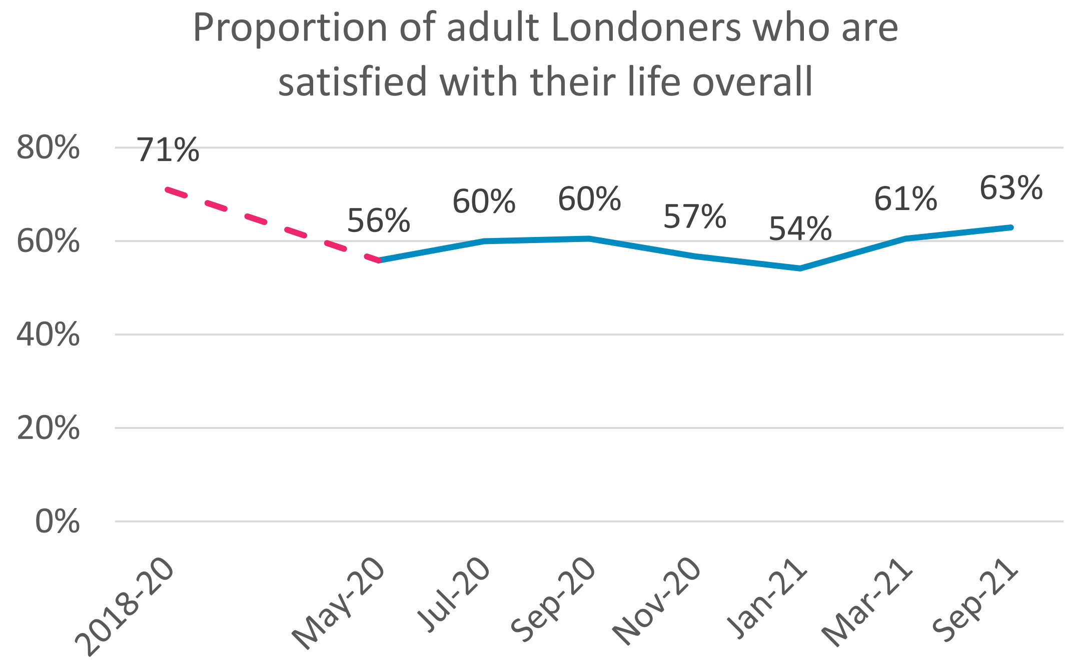


- In the period July - September 2021 outreach teams recorded 1361 people in London sleeping rough for the first time
- Of these:
  - 1059 (78%) spent just one night sleeping rough
  - 277 (20%) slept rough for more than one night but did not go on to live on the streets
  - 25 (2%) were deemed to be living on the streets

CITY INTELLIGENCE

In September 2021, around one in five adults in London were experiencing poorer mental health; this is now similar to the level seen pre-pandemic, but life satisfaction is still lower





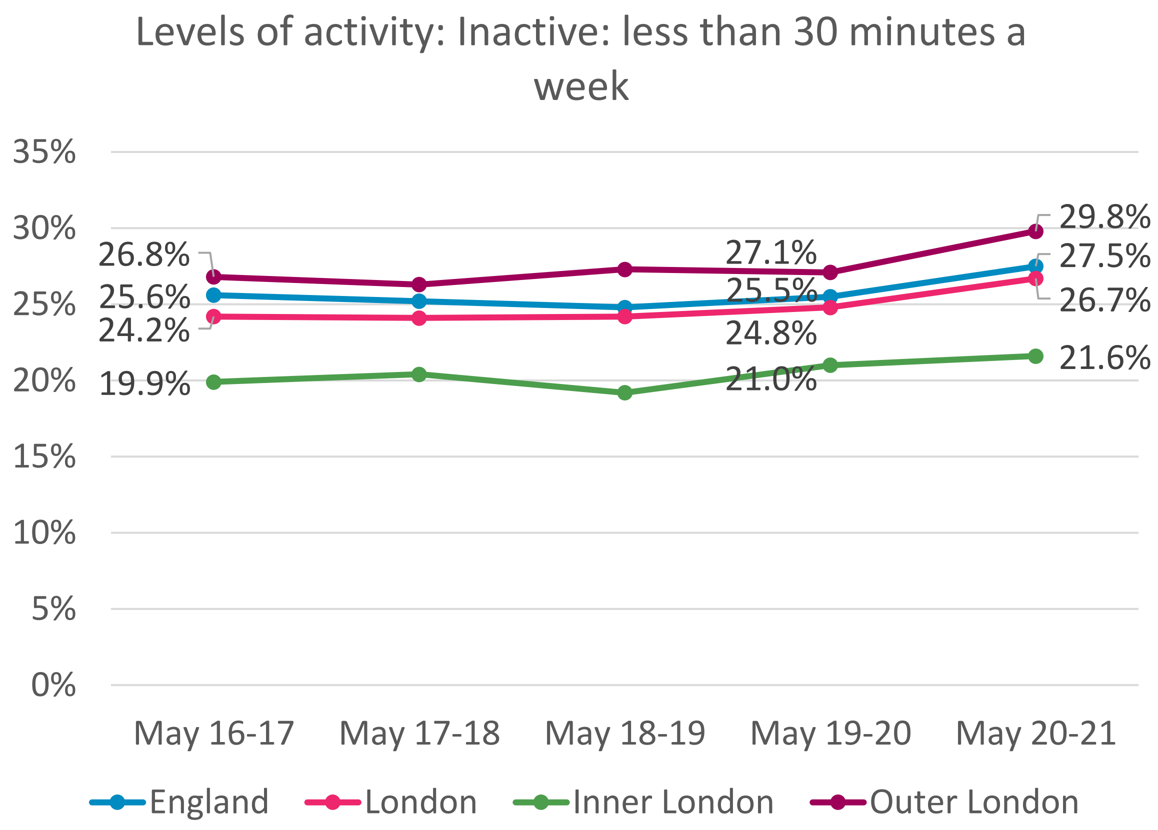
Note: The General Health Questionnaire focuses on two major areas: the inability to carry out normal functions; and the appearance of new and distressing phenomena, with each of the 12 items rated on a four-point response scale. A coding method was used whereby the maximum score for any respondent is 12, with higher values indicating poorer mental health. A threshold of 4 or more was set as the difference between 'no or few mental health problems' and 'poorer mental health'.

Source: University of Essex, Institute for Social and Economic Research. (2021). Understanding Society: COVID-19 Study, 2020.

CITY INTELLIGENCE

In the year to May 2021, the proportion of adult Londoners who were physically inactive was higher than the year to May 2020

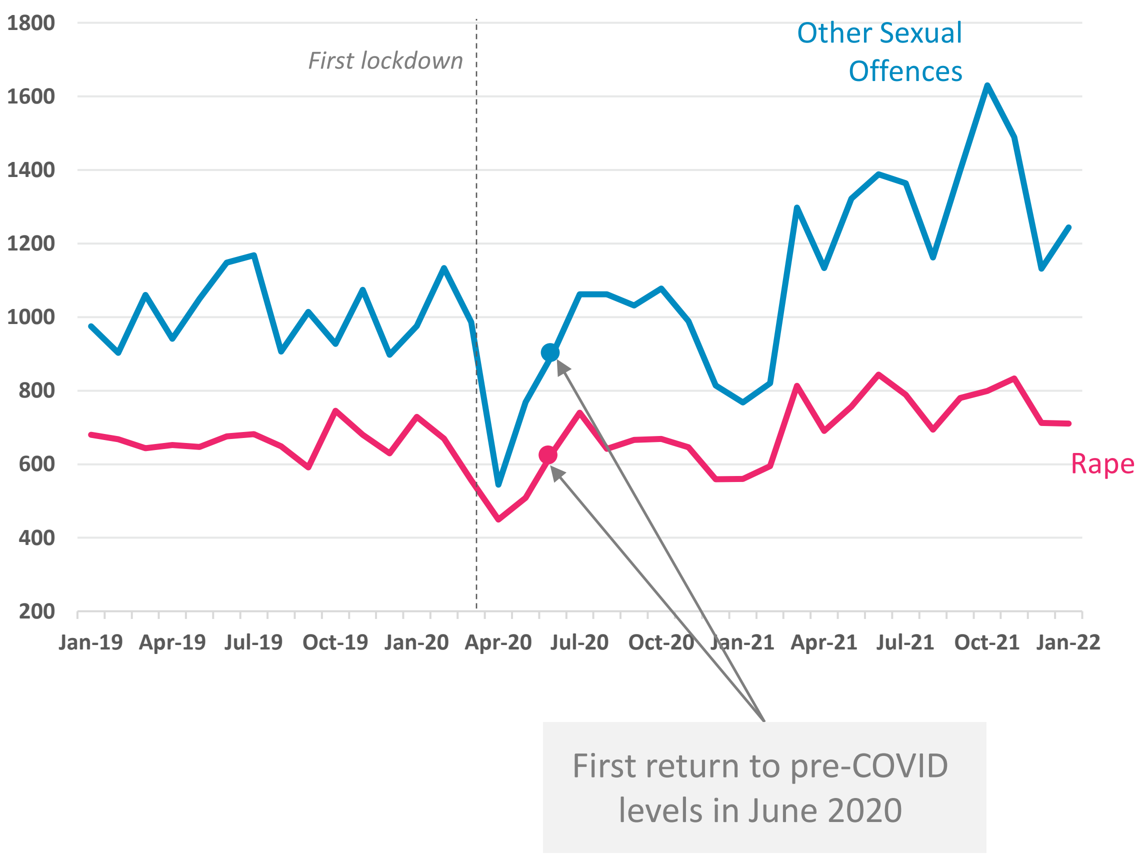
- Between mid-May 2020 and mid-May 2021, 26.7% of Londoners aged 16+ did less than an average of 30 minutes a week of physical activity, so classed as 'inactive'.
- Levels of inactivity have increased compared to 12 months earlier (24.8%). This reference period (mid-May 2019 to mid-May 2020) also contains disruption from the pandemic.
- Londoners are slightly less likely to be inactive compared with England as a whole; a trend seen going back to 2016-17, when data was first collected on this issue.



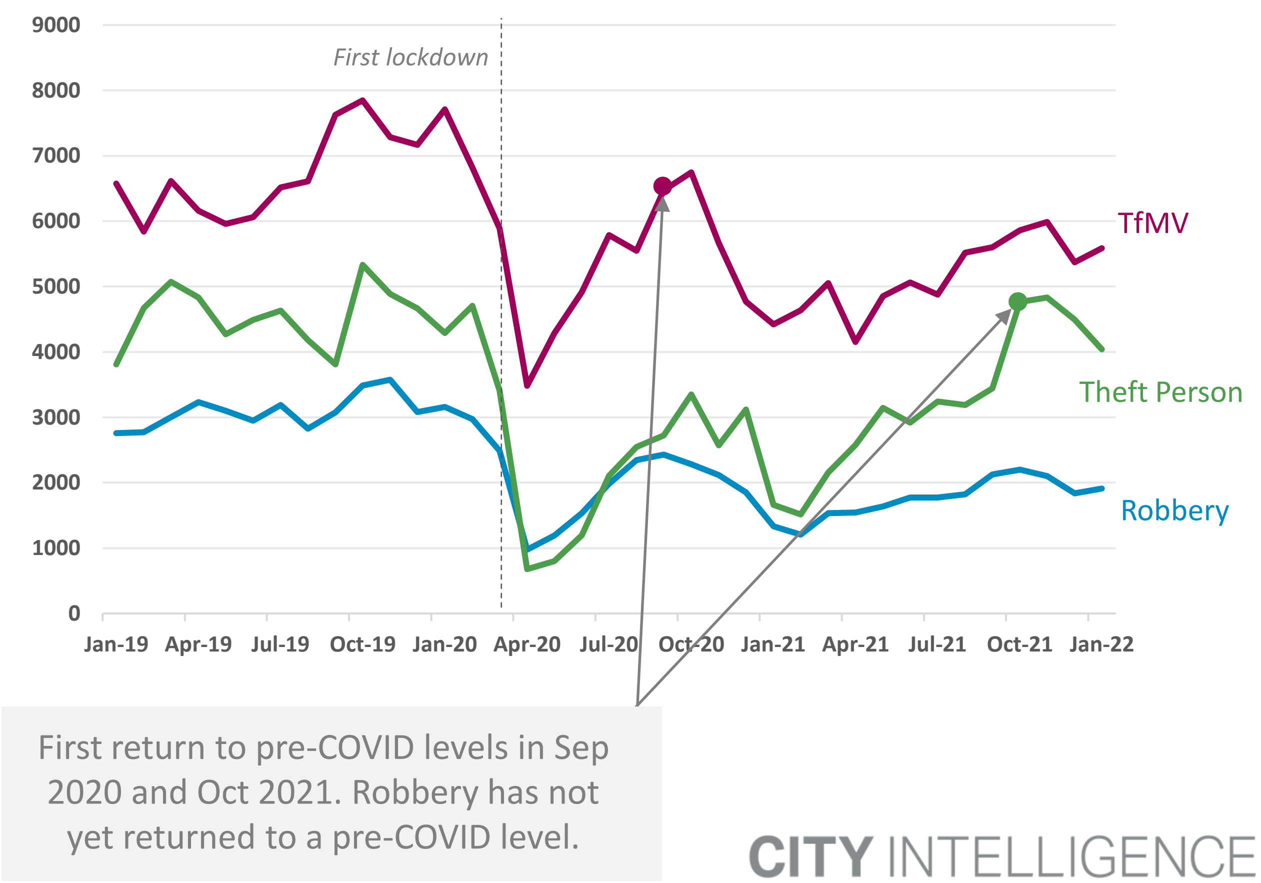
Source: Sport England, [Active Lives Survey]

Sexual offences remain high. During 2021, Rape and Other Sexual Offences gradually rose to levels higher than those seen pre-COVID. Other offences such as theft also rose last year, but are back towards their pre-COVID levels.

MPS Recorded Offences – Rape and Other Sexual Offences



MPS Recorded Offences - Theft Person, Robbery and Theft from MV (TfMV)



CITY INTELLIGENCE

Conclusion

- Following strong evidence of economic recovery, there was significant uncertainty about the impact of Omicron at the time of the last update in December 2021
- Since then, we have seen that despite the spike in cases, this has not significantly affected employment and wider economic recovery
- There is emerging evidence of social recovery too
- However, the cost of living has emerged as a new and significant challenge, especially for the worst-off Londoners, with the potential for this to become a long-term problem.